

**Navarro College District**  
Corsicana, Texas  
Comprehensive Annual Financial Report  
Years Ended August 31, 2006 and 2005



Prepared by:  
Navarro College District  
Finance Department



# Navarro College District

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## Navarro College District

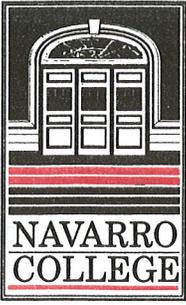
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## **Introductory Section**





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November 30, 2006

Honorable Chairman, Board of Trustees, and President  
Navarro College District  
Corsicana, TX 75110

Dear Board Members and President:

The following comprehensive annual financial report of Navarro College District (the District) for fiscal year ended August 31, 2006 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance and internal control. The introductory section, which is unaudited, includes this transmittal letter, a copy of the 2005 Certificate of Achievement, the District's organizational chart, and a list of the District's principal elected and appointed officials. The financial section includes the basic financial statements, the report of the independent public accountants and the schedules, exhibits and notes to the financial statements. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act amendments of 1996, U.S. Office of Management and Budget (OMB) Circular 133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular. Information related to this single audit, including the schedule of expenditures of federal awards, schedule of expenditures of state awards, and auditor's reports of the internal control structure and compliance with applicable laws and regulations, is included in the compliance and internal control section of this report.

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**Mexia Campus**  
901 N. Martin Luther King, Jr. Blvd.  
Mexia, TX 76667  
(254) 562-3848 FAX: (254) 562-6613

**Midlothian Campus**  
899 Mount Zion Road  
Midlothian, TX 76065  
(972) 775-7200 FAX: (972) 775-7299

**Waxahachie Campus**  
1900 John Arden Dr.  
Waxahachie, TX 75165  
(972) 937-7612 FAX: (972) 937-8763

## GOVERNMENTAL STRUCTURE

Navarro College 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 call 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 are 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 its 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 ECONOMIC CONDITION AND OUTLOOK

The District is well positioned for future growth due to its geographical location between Dallas and Houston on Interstate 45 and between Waco and Tyler on Highway 31. Student enrollment and student contact hour growth continue to be a main focus of the College. Fall 2005 semester credit enrollment at the District grew by 312 students to 6,451 students on census date, an increase of 4.84% over Fall 2004.

Ellis County, a major part of our service area, continues to grow dramatically. The decision by the Board of Trustees to establish the recently opened Midlothian Campus and the expansion of the Waxahachie Campus is consistent with growth projections for the District. The two campus sites in Ellis County will experience the greatest growth in the foreseeable future and it is paramount that the Board of Trustees directs attention and invests time and resources to this portion of the service area.

Ellis County has a diverse manufacturing base. As of the Fall 2004 the area had approximately 760 establishments employing ten or more employees. The top ten manufacturers for the Ellis County Region are:

Top 10 Manufacturers for Ellis County Region:

TXI Chaparral Steel  
Owens-Corning, Inc.  
Leggett & Platt, Inc.  
Dart Container Corporation  
Ennis Automotive, Inc.  
Sterilite Corporation  
Tyler Refrigeration  
International Extrusion Corporation  
United States Aluminum Corporation-TX  
Cabinet Specialist

A recent addition in the northern part of Ellis County on Interstate 45 is the opening of Union Pacific Railroad's new \$100 million international container facility. This state of the art intermodal terminal increases Union Pacific's ability to handle growing rail-truck freight traffic and provide employment opportunities in the area.

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 showing moderate growth as evidenced by a \$218 million (12.5%) increase in the assessed value of the District during the past fiscal year. Development of the Richland Chambers area of Navarro County continues to contribute to the growth of the district with ninety-eight building permits valued at \$39,605,374 being issued since January 1, 2005.

A 152-acre development site at the intersection of Interstate 45 and U S Highway 287 continues to grow with opening of a branch of Corsicana National Bank and Trust and a retail location for Collin Street Bakery. The top employers in Navarro County are:

Corsicana ISD	879
Russell Stover Candies	859
Navarro College	827
Collin Street Bakery	700
Navarro Regional Hospital	377
Guardian Industries Corporation	367
Texas Youth Council	337
City of Corsicana	335
Texas Youth Commission	335
Navarro County	282
Oil City Iron Works	224
Williamhouse of Texas	211
Kohl's Distribution Center	175
Tru-Serve Distribution Center	150
Tom's Foods	146
Mother Francis Medical Center	120

Corsicana is experiencing a revitalization of the downtown area, especially in the area of specialty shops and the arts. Additions and renovations to this area include a Visitors Center, Palace Theater renovation, Martin's Music Hall, renovated Opry House and other specialty shops. There is also a residential move to the downtown area with loft apartments located over retail operations. Other areas of the town are expanding as well with the addition of a Best Western and Comfort Inn motels and new strip shopping centers in various areas of town.

Area school districts are experiencing growth as well with the Corsicana Independent School District just completing a \$44 million dollar expansion program. The Mildred Independent School District has also passed a major bond program for expansion in the coming year.

Navarro College has two campus sites in Ellis County where growth is occurring more rapidly than Navarro County. The Office of the State Demographer for the State of Texas projects a population growth of six percent in Navarro County by 2010 and a population growth of eleven percent in Ellis County for the same time period.

The District's overall financial position is good. The District ended the year with an increase in net assets. The District is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or result of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of businesses.

## MAJOR INITIATIVES

The District has been recognized as a leader in higher education by Awards of Excellence received by several instructors as well as partnership agreements with industry. A partial list of the District's achievements includes:

### Recognitions:

- Twenty-nine faculty members are NISOD (National Institute for Staff and Organization Development) award recipients since 1991.
- The District has had six Piper Professor recipients, two of whom are still active in adjunct faculty roles.
- Two additional faculty members attended the prestigious Salzburg Seminar for a study on global learning.
- The Accounting Staff of the District was again honored by the Government Finance Officers Association with its highest praise: the Certificate of Achievement for Excellence in Financial Reporting for five consecutive years, 2001, 2002, 2003, 2004, and 2005. The GFOA of the United States and Canada award is given to government units and public employee retirement systems whose comprehensive annual financial reports achieve the highest standards in government accounting and financial reporting.

- The Texas A&M University-Commerce-Navarro College Partnership continues to receive recognition as an outstanding program with emphasis on teacher education. This program has grown from 63 students in the Fall 1999 to 539 students in Fall 2006. The partnership has produced 545 graduates with 482 in education, 33 BAAS and 30 Master's degrees conferred.
- The District offers a large and competitive intercollegiate athletic program including baseball, basketball for men, cheerleading, football, soccer for women, softball and volleyball. Recent successes include regional championships for soccer and baseball and a national championship for the coed cheerleading squad. Academics are stressed by the District administration and coaching staff. Success is evidenced by having 57 athletes graduate in 2006 and 11 athletes being named NJCAA Academic All Americans.

#### Academic Program Enhancements:

The District continues efforts to enhance academic program offerings as evidenced by the following:

- Completing the SACS Comprehensive Standards and Quality Enhancement Plan Reaffirmation of Accreditation Project.
- Adding a cosmetology program for the Corsicana campus to complement the program on the Mexia campus.
- Adding programs in Physical Therapy Assistant and a certificate program for 2-D and 3-D Digital Gaming.
- Introducing hybrid course delivery combining internet and traditional instructional delivery methods.
- Increasing internet course delivery. Internet instruction accounts for 12% 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.

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:

- Upgrading technology to increase the band width on campus to 50mg for the support of technology and the upgrade of the administrative computing system to Release 18.
- Providing email service to all District students and staff.

- Providing Blackboard based delivery system for on-line instruction.
- Upgrading the on-line library services with the latest release of Dynix software.
- Upgrading safety measures including placing two defibrillators on the Corsicana campus, adding wireless internet-based security cameras in the dining hall, library, residence life areas and the Midlothian campus.
- Adding dash mounted cameras in patrol cars.
- Establishing a bicycle patrol for the Corsicana campus.
- 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 28 campus clubs and organizations on campus. These organizations are expanding to include the other three campuses as well. The Student Government Association was elected as Region III Vice President School.
- A record number of students participated in intramurals this past year, especially in the areas of football and basketball.

#### Construction and Expansion Projects:

To meet the growing needs and demands of an ever-growing student population, The District has undertaken a number of construction and expansion projects:

- A major achievement was the purchase of the property from Chevron Phillips Chemical Corporation adjacent to the Waxahachie campus. Through the acquisition of this property and resale of the building and twelve acres, the District now has approximately 33 acres available at the John Arden site for development of the Waxahachie campus. The Waxahachie campus is located in a premier location at the intersection of Interstate 35 and U S Highway 287. A Master Plan for the acreage has been developed and the first 12,000 square foot building to house the Fire Academy and continuing education functions should be completed in September 2007.
- Construction of a 20,000 square foot classroom building will also be completed for occupancy by September 2007.
- Construction was completed on the Midlothian Campus and classes began with the Spring 2006 term.
- Construction was completed on the Richard Sanchez Library and it was occupied in March 2006.
- Renovation was completed on the Gooch One Stop Student Center (from Gooch Library) and opened to serve students in August 2006. Students may now complete

the entire registration process in one location. Service functions located in the building include Cashiers, Registrar, Student Financial Aid, Testing, Counseling and Career Center.

- The breezeway area of the Mexia campus was enclosed to provide additional space for administrative offices and customer service functions.
- Additional property on Second Avenue adjacent to the Corsicana campus was acquired.
- Construction of a new 64 bed student apartment building is planned to be complete and ready for occupancy on the Corsicana campus in the Fall 2007.
- Renovation of the East Wing of the Albritton Administration Building is being planned to provide additional space for the College Store and the Computer Center functions and to add a new centralized mail distribution and copy center.

## 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 \$20.9 million in awards was processed in fiscal year 2006. 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 community, and staff and builds strong relationships between the District and communities served. 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:

- Workforce training grants for KOYO, Walgreens, and CVS for workforce training and development.
- Tech Prep programs in area high schools to offer dual credit courses, articulated programs, and classes to prepare students for the workforce in technical fields.
- The Cook Education Center, located adjacent to main campus in Corsicana, is equipped with a 60 foot domed planetarium and an observatory containing a 14 inch Celestron computer operated telescope. This allows visitors to experience first hand the forces, scientific, technical, and artistic, that drive the human imagination and serve as an educational magnet for both the District and surrounding 31 independent school districts serving over 40,000 students.

- Also located in the Cook Center are the Pearce Civil War documents collection and the Pearce Western Art Collection. This facility attracts Elderhostel programs to the College to work with the Pearce Civil War Collection Curation and Preservation Services Projects. These Elderhostel programs have offered over 300 people an opportunity to experience the Civil War in a personal way.
- The Pearce Civil War Collection is a balanced collection documenting the northern and southern experience of the Civil War as well as its leaders, common soldiers, and residents. A collection of over 7,000 items facilitates research of all aspects of the United States Civil War.
- The Pearce Western Art Collection is home to original representational works of art by acknowledged masters of Western Art as well as recent original works by members of the National Academy of Western Art, the Cowboy Artists of America, and the National Sculpture Society, among others.
- The District utilizes its Dawg Diplomat and Top Dawg programs to bring potential students to the Navarro College District for campus tours and to experience the college life.
- 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. Continuing education courses are provided for employees of dealerships enabling the employees to maintain skills to work in an ever-changing industry.
- 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 Navarro College Small Business Development center jointly funded and sponsored by the District and the U. S. Small Business Administration offers assistance for making a small business more profitable, productive, effectively manageable, and fiscally sound. Services include assistance with accounting/bookkeeping, financial analysis, management, personnel matters, advertising and marketing, inventory control, quality control, budget forecasting, bidding on government contracts, employment training and assessment, importing/exporting, and businesses owned by minorities and women.

## FINANCIAL INFORMATION

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 require 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 the 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, 2006, provided no instances of material weakness in the internal control structure.

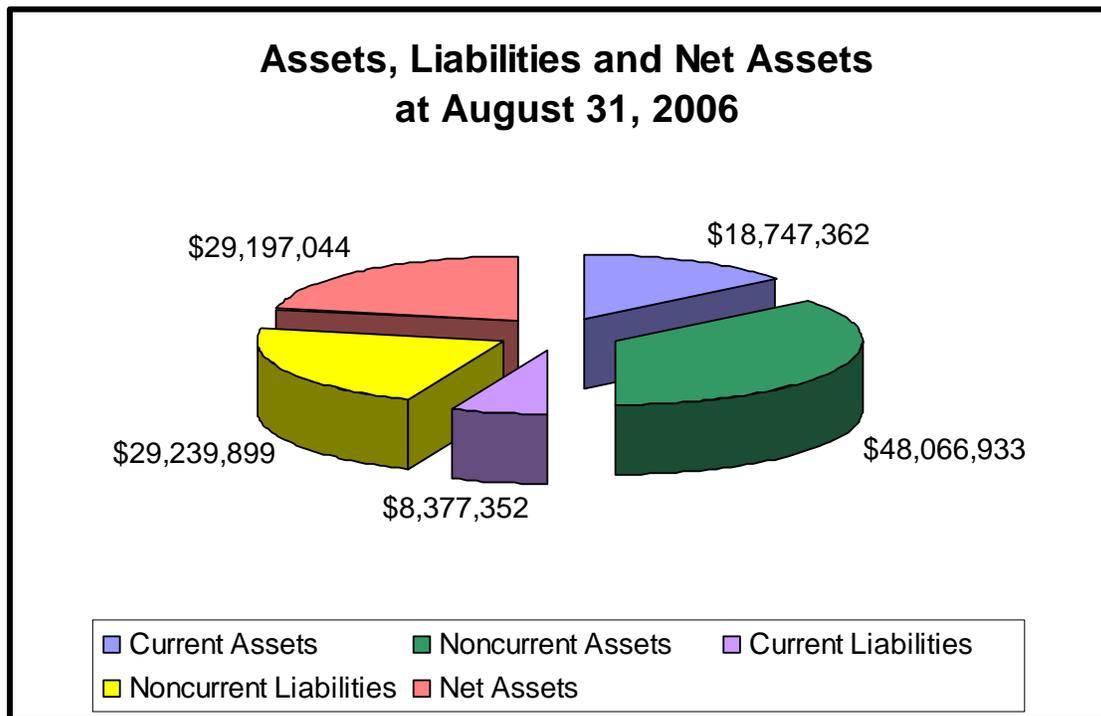
In addition, Business Services staff maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Trustees. Activities of all funds are included in the annual appropriated 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 reappropriated as part of the subsequent year budget.

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. Refer to the Management's Discussion and Analysis comments located in the Financial Section of the report for a description of each statement and a condensed version of each statement. 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.

The District issued the Consolidated Fund Revenue and Refunding Bonds, Series 2003 for \$20,715,000. Proceeds from the sale of the bonds, together with certain District funds were used to refund the District's outstanding bonds in order to lower and restructure the District's annual debt service and reconstitute Pledged Revenues and pay costs associated with the issuance, including a surety bond. The balance of the proceeds has funded construction, renovation and equipping of buildings and facilities of the District. The District issued the Consolidated Fund Revenue Bonds, Series 2006, in February 2006 in the amount of \$3,550,000 for the acquisition of land adjacent to the Waxahachie campus and to contract an addition of Gibson Hall on the Corsicana Campus.

## Statement of Net Assets

The Statement of Net Assets is divided into three sections: Assets (current and noncurrent) Liabilities (current and noncurrent) and Net Assets (invested in capital, restricted and unrestricted). The footnotes to the financial statements discuss the difference between current and noncurrent.



Total cash and investments for August 31, 2006 were \$15,384,167, compared to \$12,879,961 at August 31, 2005. The increase was due to additional 2006 Series bond proceeds.

Total liabilities increased from \$35,067,355 at August 31, 2005 to \$37,617,251 at August 31, 2006. The major factor contributing to the increase in liabilities was the issuance of the Series 2006 Revenue Bonds in the amount of \$3,550,000.

Net assets is divided into three sections: Invested in capital assets, net of debt; restricted net assets and unrestricted net assets. Total net assets increased from \$28,492,591 at August 31, 2005 to \$29,197,044 at August 31, 2006.

## Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets is the activity that resulted in the change in net assets reflected in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets is divided into five sections: Operating Revenues; Nonoperating Revenues; Operating Expenses; Nonoperating Expenses; and Other Revenues, (expenses), Gains, (losses). The Management's Discussion and Analysis provides detail on the purpose of this statement as well as a condensed version of the statement.

Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 35 require that tuition and fees and auxiliary enterprise charges be reported net of any allowances and discounts. The tuition and fees, net of allowances, are \$5,552,555 representing a 1% increase over the prior year. Auxiliary enterprise charges, net of discounts, are \$4,088,933 at August 31, 2006, which reflects an 18% increase from the prior year due to the increased number of students served.

State allocations grew to \$13,991,286 due to a special appropriation for the Midlothian Campus and enrollment growth.

Net assets increased from \$28,492,591 to \$29,197,044.

### Statement of Cash Flows

The Statement of Cash Flows is a statement for the District required by GASB Nos. 34 and 35. It presents detailed information about the cash activity of the District during the year. It is divided into five sections as detailed in Management's Discussion and Analysis.

The District had \$10,022,167 in cash and equivalents at the end of fiscal 2006 compared to \$11,729,961 at the end of fiscal 2005. The decrease in cash is due to the use of bond proceeds for capital outlay.

### Debt Administration

As of August 31, 2006, the District had \$23,740,000 of bonded debt issues outstanding, which is the Consolidated Fund Revenue and Refunding Bonds, Series 2003 and Series 2006 bonds. The 2003 bond proceeds were used to refund Construction Bonds of 1999, 2000 and 2001 and fund various construction projects on the Corsicana campus. The Series 2006 bonds issued in February 2006 were issued to fund the purchase of the Chevron Phillips manufacturing facility and thirty-three acres of land adjacent to the Waxahachie Campus and to fund an addition to the Gibson Hall Student Center on the Corsicana Campus.

### Cash Management

During the year, cash temporarily idle was invested in short-term investments. The average yield on all investments was 4.48 percent. The District earned interest revenue of \$481,994 on all investments for the year ended August 31, 2006, and \$382,527 for the year ended August 31, 2005. The investment policy, which is reviewed and updated annually, is designed to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, bank deposits were either insured by federal depository insurance, surety bonds, or collateralized throughout the year. The Federal Home Loan Bank of Dallas and the Federal Reserve Bank, acting as the District's agents, hold the securities pledged to the District.

### Risk Management

Risk management is the ongoing process by which financial loss and exposure to risk is assessed and action is taken to minimize risk, transfer risk and finance risk through various devices, including insurance. All areas of the district are reviewed for possible risk management and loss

control activities. The Vice President for Finance and Administration is responsible for recommending to the President and the Board the amounts of insurance the District should carry and the amount of risk the District should assume through coinsurance and deductibles.

Programs covered include Property, Liability, Employee Educators Liability, Employee Dishonesty Coverage, Interscholastic Accident Insurance, Student Medical Professional Liability, Unemployment Compensation and Workers' Compensation. Coverage was expanded in 2004 and 2005 to provide builders risk coverage for construction projects and Owner Controlled Insurance Program (OCIP) coverage to include workers' compensation and liability coverage for contractors working on said construction projects.

Additionally, all eligible employees are provided with paid medical, life and accidental death and dismemberment insurance. Dependent coverage is also available at group rates through the State of Texas Uniform Group Insurance Program.

For unemployment compensation, the District elects to participate in a program offered by the Texas Association of School Boards (TASB) rather than being a taxing employer with rates set by the Texas Employment Commission. The Texas School Services Foundation administers the program through TASB. Rates are factored according to the experience and size of the college. The program is a form of self-insurance with stop loss coverage.

The District participates in a self-insured workers' compensation insurance consortium program that is administered by Claims Administrative Services (CAS). The District budgets for the fixed cost and loss fund maximum. Fixed costs are primarily affected by payroll; the loss costs are determined by expected losses, which are determined primarily by historical loss experience. The fixed costs cover claims administration and loss control and are not recoverable. Loss costs are only paid if the District experiences losses.

The District strives to develop risk management programs that help better manage its resources. Firm adherence to a code of values and sound principles helps provide exceptional cost saving risk management.

## INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The District's Board of Trustees selected the accounting firm of Jaynes, Reitmeier, Boyd & Therrell, P.C. for fiscal year 2006. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act amendments of 1996 and related OMB Circular A-133, Uniform Grant Management Standards and the State of Texas Single Audit Circular. The auditor's reports related specifically to the single audit are included in the Compliance and Internal Control Section.

## ACKNOWLEDGEMENTS AND AWARDS

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, 2005.

This was the fifth consecutive year that the District 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.

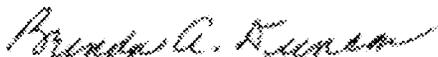
A Certificate of Achievement is valid for a one year period only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 President for their interest in planning and conducting the operations of the District in a professional manner.

Respectfully submitted,



Darrell R. Raines, CPA  
Vice President for Finance and Administration

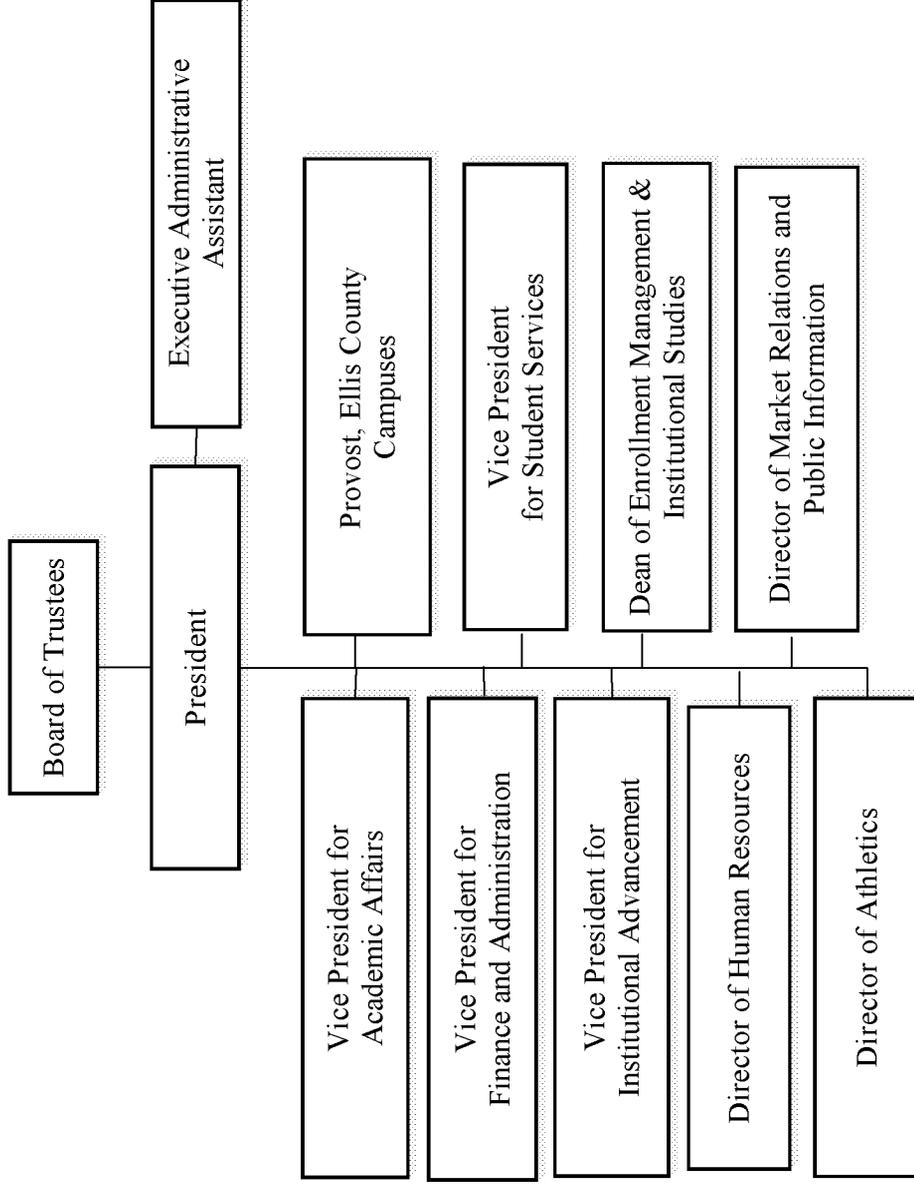


Brenda A. Duncan, CPS  
Business Manager



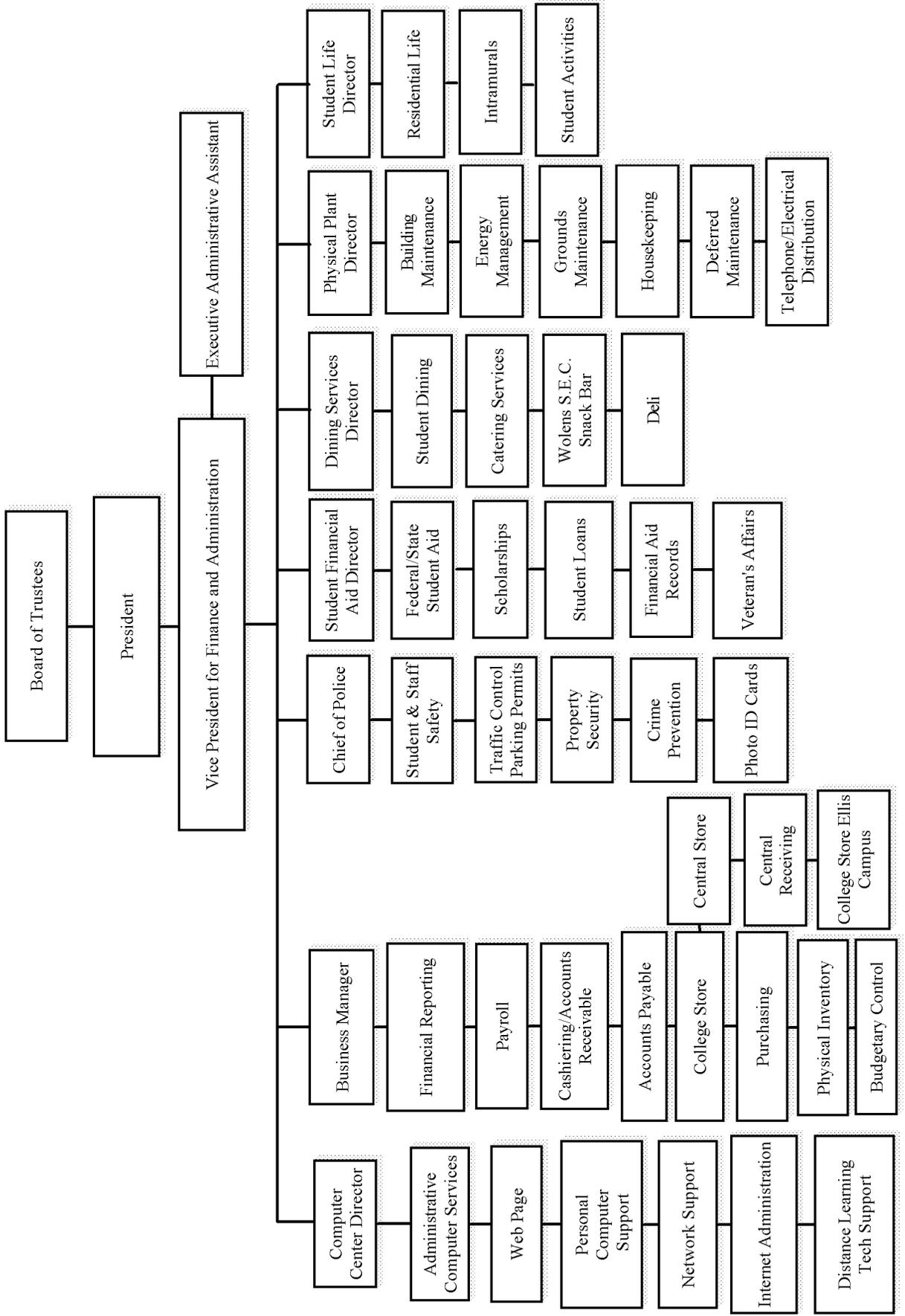
Rhina H. Sandoval  
Controller

III.03.01  
NAVARRO COLLEGE  
Organizational Chart  
**President**



III.03.03  
 NAVARRO COLLEGE  
 Organizational Chart

**Vice President for Finance and Administration**



## Navarro College District

### Principal Officials

#### *Board of Trustees*

Homer G. Wasson	Chairman
James G. Price, D.D.S.	Vice-Chairman
Lloyd D. Huffman	Secretary/Treasurer

#### Term Expires

#### Members:

James E. Borkchum,	Corsicana, Texas	2007
Lloyd D. Huffman	Corsicana, Texas	2011
Todd McGraw	Blooming Grove, Texas	2007
James G. Price, D.D.S.	Corsicana, Texas	2007
Zane Stites	Corsicana, Texas	2009
Liston Herod	Corsicana, Texas	2011
Homer G. Wasson	Kerens, Texas	2009

#### *Executive Officers*

Richard M. Sanchez, Ed. D.	President
Harold Nolte, Ph. D.	Provost for Ellis County
Darrell R. Raines, C.P.A.	Vice President for Finance and Administration
Kenneth Martin, Ed. D.	Interim Vice President for Academic Affairs
Maryann Hailey	Interim Vice President for Student Services
Tommy Stringer, Ph. D.	Vice President for Institutional Advancement

#### *Business Officers*

Darrell R. Raines, C.P.A.	Vice President for Finance and Administration
Brenda A. Duncan, C.P.S.	Business Manager
Rhina Sandoval	Controller

# *Navarro College*

## *Board of Trustees and President*



Homer G. Wasson  
*Chairman*



Lloyd Huffman  
*Secretary-Treasurer*



Dr. James G. Price  
*Vice-Chairman*



Dr. Richard Sanchez  
*President-Navarro College*



Liston Herod  
*Trustee*



James E. Borkchum  
*Trustee*



Todd McGraw  
*Trustee*



Zane Stites  
*Trustee*

# 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, 2005

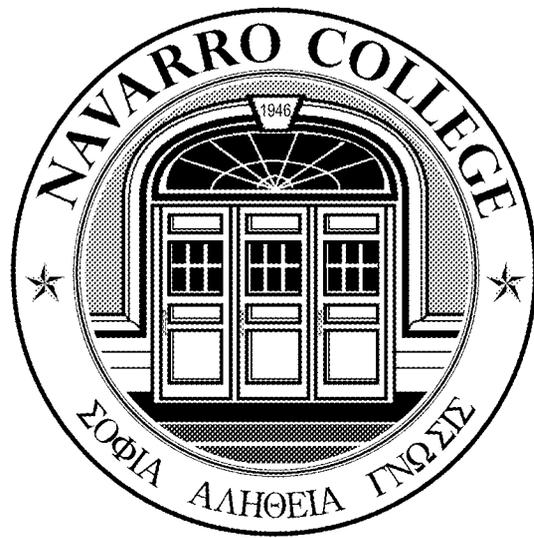
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards 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 year ended August 31, 2006, 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. 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*. The financial statements of the District as of and for the year ended August 31, 2005, were audited by other auditors whose report dated November 1, 2005, expressed an unqualified opinion on those statements. As discussed in Note 22 to the financial statements, the District has restated its 2005 financial statements during the current year to properly record receivables, capital assets, and long-term debt in conformity with accounting principles generally accepted in the United States of America. The other auditor reports on the 2005 financial statements before the restatement.

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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. 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, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006, 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 10 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 39 through 42 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 43 through 49 are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *Uniform Grant Management Standards*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical schedules on pages 53 through 87 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.

*Jayns, Reitzmerer, Boyd & Threlk, P.C.*

November 8, 2006

## Management's Discussion and Analysis

### *Overview of the Financial Statements and Financial Analysis*

Navarro College District (the District) is proud to present its financial statements for fiscal year ended August 31, 2006. 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.

Financial statements for the District's discretely presented component unit, Navarro College Foundation (the Foundation) may be obtained from the Foundation office at 3100 W. Collin Street, Corsicana, Texas 75110.

This discussion and analysis of the District's financial statements provide an overview of its financial activities for the year.

### *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. The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors and lending institutions.

#### Navarro College District Statement of Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Amount of Change 2005 to 2006</u>	<u>% of Change 2005 to 2006</u>
<b>Assets</b>					
Current assets	\$ 18,747,362	15,174,780	18,190,014	3,572,582	23.54%
Capital assets	46,978,796	45,080,236	32,803,542	1,898,560	4.21%
Other assets	<u>1,088,137</u>	<u>3,304,930</u>	<u>8,235,794</u>	<u>(2,216,793)</u>	<u>(67.08%)</u>
 Total assets	 \$ <u>66,814,295</u>	 <u>63,559,946</u>	 <u>59,229,350</u>	 <u>3,254,349</u>	 <u>5.12%</u>
<b>Liabilities</b>					
Current liabilities	\$ 8,377,352	8,617,656	7,920,501	(240,304)	(2.79%)
Noncurrent liabilities	<u>29,239,899</u>	<u>26,449,699</u>	<u>22,941,167</u>	<u>2,790,200</u>	<u>10.55%</u>
 Total liabilities	 \$ <u>37,617,251</u>	 <u>35,067,355</u>	 <u>30,861,668</u>	 <u>2,549,896</u>	 <u>7.27%</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Amount of Change 2005 to 2006</u>	<u>% of Change 2005 to 2006</u>
<b>Net Assets</b>					
Invested in capital assets, net of debt	\$ 21,532,452	21,173,689	20,852,890	358,763	1.69%
Restricted – expendable	3,270,450	3,282,817	3,194,512	(12,367)	(0.38%)
Unrestricted	<u>4,394,142</u>	<u>4,036,085</u>	<u>4,320,280</u>	<u>358,057</u>	<u>8.87%</u>
 Total net assets	 \$ <u>29,197,044</u>	 <u>28,492,591</u>	 <u>28,367,682</u>	 <u>704,453</u>	 <u>2.47%</u>
 Total net assets and liabilities	 \$ <u>66,814,295</u>	 <u>63,559,946</u>	 <u>59,229,350</u>	 <u>3,254,349</u>	 <u>5.12%</u>

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. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution.

Current assets increased by 23.5% due to increased investments and cash from the sale of Waxahachie property and bond proceeds from the 2006 Consolidated Revenue Bond issue.

Capital assets increased \$1.9 million or 4% with the addition of twenty-one (21) acres of prime property adjacent to the Waxahachie Campus and renovations to several buildings on the Corsicana Campus.

Total liabilities increased to \$37,617,251 from \$35,067,355 for an increase of \$2,549,896. This increase was due to the issuance of \$3,550,000 in new debt (2006 Revenue Bonds) in February 2006.

In summary, the total net assets of the District grew by \$704,453 to a total of \$29,197,044 at August 31, 2006.

Current and other assets decreased for fiscal year 2005 because of a structured plan to flow these assets into capital assets. In fiscal year 2005, noncurrent assets increased substantially due to the lease/purchase agreement for acquisition of the Midlothian campus.

Total liabilities increased to \$35,067,355 from \$30,539,423 for an increase of \$4,527,932 in fiscal year 2005.

***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 purpose of the statement is to present the revenues received by the institution, operating and nonoperating, 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. Nonoperating revenues are revenues received for which goods and services are not provided.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Amount of Change 2005 to 2006</u>	<u>% of Change 2005 to 2006</u>
<b>Operating revenues</b>					
Tuition and fees	\$ 5,522,555	5,462,894	4,084,042	59,661	1.09%
Grants and contracts	10,632,053	10,405,341	9,444,620	226,712	2.18%
Sales and services	4,391,090	3,712,116	3,044,220	678,974	18.29%
Other operating revenues	<u>226,393</u>	<u>159,978</u>	<u>185,027</u>	<u>66,415</u>	<u>41.52%</u>
Total operating Revenues	<u>20,772,091</u>	<u>19,740,329</u>	<u>16,757,909</u>	<u>1,031,762</u>	<u>5.23%</u>
<b>Nonoperating revenues</b>					
State allocations	13,991,286	10,487,726	10,153,252	3,503,560	33.41%
Maintenance ad valorem taxes	2,483,723	2,302,370	2,295,887	181,353	7.88%
Gifts	608,458	560,903	200,000	47,555	8.48%
Investment income	481,994	382,527	376,719	99,467	26.00%
Donation from Navarro College Foundation, Inc.	-	-	4,932,837	-	0.00%
Other nonoperating revenues	56,748	87,152	-	(30,404)	(34.89%)
Gain (loss) on disposal of assets	<u>484,375</u>	<u>-</u>	<u>132,566</u>	<u>484,375</u>	<u>100.00%</u>
Total nonoperating revenues	<u>18,106,584</u>	<u>13,820,678</u>	<u>18,091,261</u>	<u>4,285,906</u>	<u>31.01%</u>
Total revenues	<u>38,878,675</u>	<u>33,561,007</u>	<u>34,849,170</u>	<u>5,317,668</u>	<u>15.84%</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Amount of Change 2005 to 2006</u>	<u>% of Change 2005 to 2006</u>
<b>Operating expenses</b>					
Instruction	\$ 13,296	12,500,569	11,621,720	795,497	6.36%
Public service	135,365	123,866	19,341	11,499	9.28%
Academic support	3,101,135	2,255,733	1,754,738	845,402	37.48%
Student services	2,294,807	1,636,654	1,532,696	658,153	40.21%
Institutional support	3,990,424	3,161,359	2,870,416	829,065	26.22%
Operation and maintenance of plant	3,250,343	2,453,004	2,234,986	797,339	32.50%
Scholarships and fellowships	2,309,532	2,325,806	564,981	(16,274)	(0.70%)
Auxiliary enterprises	7,324,740	6,851,913	6,125,073	472,827	6.90%
Depreciation expense	<u>1,283,753</u>	<u>1,091,485</u>	<u>755,684</u>	<u>192,268</u>	<u>17.62%</u>
Total operating expenses	<u>36,986,165</u>	<u>32,400,389</u>	<u>27,479,635</u>	<u>4,585,776</u>	<u>14.15%</u>
<b>Nonoperating expenses</b>					
Interest on capital- related debt	<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,516</u>	<u>152,348</u>	<u>14.71%</u>
Total expenses	<u>38,174,222</u>	<u>33,436,098</u>	<u>28,618,151</u>	<u>4,738,124</u>	<u>14.17%</u>
Change in net assets	\$ <u>704,453</u>	<u>124,909</u>	<u>6,231,019</u>	<u>579,544</u>	<u>463.97%</u>
Ending net assets	\$ <u>29,197,044</u>	<u>28,492,591</u>	<u>28,367,682</u>	<u>704,453</u>	<u>2.47%</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase of \$704,453 in net assets at year-end. Operating revenues increased a moderate 5.23% due to enrollment growth and increased tuition and sales and services with most of the increase attributable to auxiliary enterprises sales.

Under nonoperating revenues, state allocations increased \$3,503,560 or 33.4% due to increased basic state aid and a special state appropriation for the Midlothian Campus. In addition, the College recognized a significant gain of \$484,375 on the sale of real estate adjacent to the Waxahachie campus. The College purchased thirty-three (33) acres and a manufacturing plant and subsequently sold the plant and approximately twelve (12) acres for a gain of \$484,375 on this transaction. The remaining acreage was retained for expansion of the Waxahachie Campus.

Operating expenses increased in all categories as additional costs were incurred to support the additional enrollment and as the cost of goods and services escalated, especially utilities. Costs associated with academic support, student services, institutional support and operations and maintenance of plant all displayed double digit increases for the last fiscal year.

Nonoperating expenses of interest expense on capital debt increased by \$152,348 due to the issuance of additional bonds in early 2006.

The Statement of Revenues, Expenses, and Changes in Net Assets for 2005 reflects a positive year with an increase in net assets at the year-end. Grants and contracts increased by \$960,721 due primarily to increases in awards for PELL grants. Operating revenues in 2005 increased by \$2,982,420 which is attributable to increased student income and other operating revenues including auxiliary enterprise revenues. These increases are related to enrollment growth and increases in fee structures. Nonoperating revenues in 2005 decreased by \$4,270,583 as 2004 reflected a one-time donation from the Navarro College Foundation.

There were corresponding increases in total operating expenses including an increase in cost of instruction of \$878,849 for a 7.56% change in 2005. Operating revenues and expenses were up approximately 18% in 2005.

***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 institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

**Navarro College District  
Statement of Cash Flows**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Amount of Change 2005 to 2006</u>	<u>% of Change 2005 to 2006</u>
Cash provided by:					
Operating activities	\$ (13,568,742)	(11,265,805)	850,141	(2,272,223)	
Noncapital financing activities	16,646,263	12,925,495	2,386,143	3,720,768	
Investing activities	(3,805,612)	429,075	16,699,165	(4,234,687)	
Capital and related financing activities	<u>(979,703)</u>	<u>(9,577,189)</u>	<u>(5,518,612)</u>	<u>8,566,772</u>	
Net change in cash	(1,707,794)	(7,488,424)	14,416,837	5,780,630	
Cash, beginning of year	<u>11,729,961</u>	<u>19,218,385</u>	<u>4,801,548</u>	<u>(7,488,424)</u>	
Cash, end of year	\$ <u>10,022,167</u>	<u>11,729,961</u>	<u>19,218,385</u>	<u>(1,707,794)</u>	<u>(14.56%)</u>

An analysis of cash flows shows a decrease in cash flow for the fiscal year. This was planned as cash from 2003 and 2006 bond proceeds were liquidated to provide funding for capital improvements including new construction and renovations on the Corsicana campus, land acquisition for the Waxahachie campus, and for the purchase of short-term investments.

### ***Capital Asset and Debt Administration***

The District issued Consolidated Fund Revenue and Refunding Bonds, Series 2003 on March 25, 2003. The proceeds of \$20,715,000 were used to refund Construction Bonds of 1999, 2000 and 2001 and fund various construction projects on the Corsicana campus. These projects include a new library with clock tower/courtyard; a new dining services building; two new 32-bed residence halls; a new 64-bed residence hall with parking lot; and renovations to existing buildings. Two of the projects were completed and added to capital assets for facilities in fiscal year 2003: the renovations of the Drane Hall of Science building and the 32-bed residence hall on the Corsicana campus. The 64-bed residence hall was completed in fiscal year 2004. The Waller Classroom Building renovation, Walker Dining Hall, and a 32-bed residence hall were completed in fiscal year 2005. During the 2006 fiscal year, all remaining 2003 construction projects were completed.

In February 2006, the District issued Consolidated Fund Revenue Bonds, Series 2006 in the amount of \$3,550,000. A portion (\$2,800,000) of the bond proceeds were used for purchasing a Chevron Phillips manufacturing facility and thirty-three (33) acres of land which is adjacent to the District's Waxahachie Campus. The District subsequently sold the facility and approximately twelve acres for a gain of \$484,375. The proceeds from the land sale will be used to construct a 20,000 square foot classroom building on the Waxahachie Campus. The remaining portion of the bond proceeds (\$700,000) will be utilized for an addition to the Gibson Hall Student Center on the Corsicana Campus.

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.

During the last year the District continued in increasing its physical plant by adding \$1.9 million in capital assets net of depreciation including the acquisition of twenty-one (21) prime acres adjacent to the Waxahachie Campus. These additions are positioning the College for the future.

### ***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 Business Manager, 3200 West 7th Avenue, Corsicana, Texas 75110.

## **Basic Financial Statements**



Navarro College District

Statements of Net Assets  
(Exhibit 1)

August 31, 2006 and 2005

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2006	2005 (Restated, Note 22)	2006	2005
<b><u>Assets</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 9,314,478	8,773,113	114,854	116,489
Investments	5,362,000	1,150,000	-	-
Accounts receivable, net	2,716,122	3,970,285	972,452	953,267
Prepaid expenses	334,277	340,787	-	-
Inventories	1,020,485	940,595	-	-
Total current assets	<u>18,747,362</u>	<u>15,174,780</u>	<u>1,087,306</u>	<u>1,069,756</u>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	707,689	2,956,848	-	-
Long-term investments	-	-	1,265,512	1,126,587
Capital assets, net	46,978,796	45,080,236	7,605,013	7,221,531
Other assets	380,448	348,082	5,000	-
Total noncurrent assets	<u>48,066,933</u>	<u>48,385,166</u>	<u>8,875,525</u>	<u>8,348,118</u>
Total assets	<u>66,814,295</u>	<u>63,559,946</u>	<u>9,962,831</u>	<u>9,417,874</u>
<b><u>Liabilities</u></b>				
<b>Current liabilities:</b>				
Accounts payable	1,488,360	2,630,804	-	4,372
Accrued liabilities	347,237	281,871	-	-
Funds held for others	433,155	340,587	-	-
Deferred revenue	5,007,502	4,481,447	-	-
Accrued compensated absences - current portion	143,901	191,749	-	-
Accrued claims and judgements - current portion	25,128	35,076	-	-
Notes payable - current portion	100,685	193,948	-	-
Capital lease - current portion	161,384	162,174	-	-
Bonds payable - current portion	670,000	300,000	-	-
Total current liabilities	<u>8,377,352</u>	<u>8,617,656</u>	<u>-</u>	<u>4,372</u>
<b>Noncurrent liabilities:</b>				
Accrued compensated absences	1,151,457	936,184	-	-
Accrued claims and judgements	115,176	105,228	-	-
Notes payable	153,437	254,145	-	-
Capital lease	4,535,000	4,695,605	-	-
Bonds payable	23,284,829	20,458,537	-	-
Total noncurrent liabilities	<u>29,239,899</u>	<u>26,449,699</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>37,617,251</u>	<u>35,067,355</u>	<u>-</u>	<u>4,372</u>
<b><u>Net Assets</u></b>				
<b>Net assets:</b>				
Invested in capital assets, net of related debt	21,532,452	21,173,689	7,605,013	7,221,531
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	654,993	654,993
Expendable:				
Scholarships and fellowships	3,107,220	3,132,578	-	-
Debt service	163,230	150,239	-	-
Unrestricted	<u>4,394,142</u>	<u>4,036,085</u>	<u>1,702,825</u>	<u>1,536,978</u>
Total net assets	<u>\$ 29,197,044</u>	<u>28,492,591</u>	<u>9,962,831</u>	<u>9,413,502</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, 2006 and 2005

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2006	2005	2006	2005
		(Restated, Note 22)		
<b>Operating revenues:</b>				
Tuition and fees (net of scholarship allowances and discounts of \$4,566,707 and \$4,107,155, respectively)	\$ 5,522,555	5,462,894	-	-
Gifts	-	-	712,487	1,295,127
Federal grants and contracts	9,887,235	9,712,239	-	-
State grants and contracts	638,876	578,687	-	-
Local grants and contracts	105,942	114,415	-	-
Sales and services of educational activities	302,157	309,673	-	-
Auxiliary enterprises (net of scholarship allowances and discounts of \$2,853,299 and \$3,097,142, respectively)	4,088,933	3,402,443	-	-
Other operating revenues	226,393	159,978	58,200	151,841
Total operating revenues	<u>20,772,091</u>	<u>19,740,329</u>	<u>770,687</u>	<u>1,446,968</u>
<b>Operating expenses:</b>				
Instruction	13,296,066	12,500,569	-	-
Public service	135,365	123,866	-	-
Academic support	3,101,135	2,255,733	-	-
Student services	2,294,807	1,636,654	-	-
Institutional support	3,990,424	3,161,359	150,242	189,926
Operation and maintenance of plant	3,250,343	2,453,004	-	-
Scholarships and fellowships	2,309,532	2,325,806	235,328	150,476
Auxiliary enterprises	7,324,740	6,851,913	-	-
Depreciation	1,283,753	1,091,485	19,667	19,677
Total operating expenses	<u>36,986,165</u>	<u>32,400,389</u>	<u>405,237</u>	<u>360,079</u>
Operating loss	<u>(16,214,074)</u>	<u>(12,660,060)</u>	<u>365,450</u>	<u>1,086,889</u>
<b>Nonoperating revenues (expenses):</b>				
State appropriations	13,991,286	10,487,726	-	-
Ad valorem property taxes for maintenance and operations	2,483,723	2,302,370	-	-
Investment income	481,994	382,527	183,879	115,743
Gifts	608,458	560,903	-	-
Interest on capital asset-related debt	(1,188,057)	(1,035,709)	-	(26,145)
Gain on sale of capital assets	484,375	-	-	208,087
Other nonoperating revenues (expenses), net	56,748	87,152	-	77,600
Net nonoperating revenues	<u>16,918,527</u>	<u>12,784,969</u>	<u>183,879</u>	<u>375,285</u>
Increase in net assets	<u>704,453</u>	<u>124,909</u>	<u>549,329</u>	<u>1,462,174</u>
Net assets - beginning of year, as previously reported	28,492,591	28,422,143	9,413,502	7,951,328
Prior period adjustments	-	(54,461)	-	-
Net assets - beginning of year, as resated	<u>28,492,591</u>	<u>28,367,682</u>	<u>9,413,502</u>	<u>7,951,328</u>
Net assets - end of year	<u>\$ 29,197,044</u>	<u>28,492,591</u>	<u>9,962,831</u>	<u>9,413,502</u>

See accompanying notes to the financial statements.

Navarro College District

Statements of Cash Flows  
(Exhibit 3)

Years Ended August 31, 2006 and 2005

	Primary Government	
	Navarro College District	
	2006	2005
		(Restated, Note 22)
<b>Cash flows from operating activities</b>		
Receipts from students and other customers:		
Tuition and fees	\$ 18,745,337	15,760,211
Receipts of grants and contracts	10,821,701	9,972,561
Other receipts	283,141	364,602
Payments to employees	(19,952,718)	(17,830,644)
Payments to suppliers and students for goods and services	(23,466,203)	(19,532,535)
Net cash used in operating activities	(13,568,742)	(11,265,805)
<b>Cash flows from noncapital financing activities</b>		
Receipts of state appropriations	13,577,424	10,121,395
Receipts from ad valorem property taxes for maintenance and operation	2,460,381	2,322,474
Receipts from gifts for other than capital purposes	608,458	481,626
Net cash provided by noncapital financing activities	16,646,263	12,925,495
<b>Cash flows from capital and related financing activities</b>		
Proceeds from issuance of bonded debt	3,550,000	-
Proceeds from sale of land	2,750,000	-
Purchases of capital assets	(5,447,938)	(7,945,954)
Payments on capital debt principal	(709,074)	(540,187)
Payments on capital debt interest	(1,122,691)	(1,091,048)
Net cash used in capital and related financing activities	(979,703)	(9,577,189)
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	1,604,000	300,000
Receipts from interest on investments	406,388	429,075
Purchase of investments	(5,816,000)	(300,000)
Net cash provided by (used in) investing activities	(3,805,612)	429,075
Net decrease in cash and cash equivalents	(1,707,794)	(7,488,424)
Cash and cash equivalents - beginning of year	11,729,961	19,218,385
Cash and cash equivalents - end of year	\$ 10,022,167	11,729,961
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (16,214,074)	(12,660,060)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,283,753	1,091,485
On-behalf payments	413,862	366,331
Other nonoperating revenues	56,748	87,462
Change in assets and liabilities:		
Receivables, net	1,353,111	123,376
Inventories	(79,890)	(21,568)
Prepaid expenses	6,510	(16,991)
Other assets	(32,366)	-
Accounts payable	(1,142,444)	199,055
Accrued liabilities	167,425	70,176
Funds held for others	92,568	-
Deferred revenue	526,055	(505,071)
Net cash used in operating activities	\$ (13,568,742)	(11,265,805)

See accompanying notes to the financial statements.



## Navarro College District

### Notes to Financial Statements

August 31, 2006 and 2005

#### (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 units. Each 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, 2006 and 2005, the Foundation expended \$235,328 and \$150,476, 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, operating grants and contracts, 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 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, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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 operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College 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

Cash equivalents of \$2,005,400 and \$3,666,050 at August 31, 2006 and 2005, respectively, consist of certificates of deposit. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Restricted cash and cash equivalents at August 31, 2006 and 2005, represent unspent bond proceeds from the Series 2006 and Series 2003 bonds payable, respectively.

##### (e) Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition and

## Navarro College District

### Notes to Financial Statements (Continued)

#### (2) Summary of Significant Accounting Policies (continued)

##### (e) Investments (continued)

nonparticipating investment contracts which are stated at cost. Fair values are based on published market prices. Long-term investments have an original maturity of greater than one year at the time of purchase.

##### (f) Inventories

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

##### (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 included amounts for tuition and fees and certain auxiliary activities totaling \$4,989,591 and \$4,414,435 at August 31, 2006 and 2005, respectively, which have not yet been earned. Deferred revenue also includes amounts received from grants that have not yet been earned.

## Navarro College District

### Notes to Financial Statements (Continued)

#### (2) Summary of Significant Accounting Policies (continued)

##### (i) Use of Estimates

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

##### (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 and investments of the District at August 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
<u>Deposits</u>		
Cash – demand deposits	\$ 8,012,742	8,060,411
Cash – certificates of deposit	2,005,400	3,666,050
Cash – petty cash on hand	<u>4,025</u>	<u>3,500</u>
Total deposits	<u>10,022,167</u>	<u>11,729,961</u>

**Navarro College District**

Notes to Financial Statements  
(Continued)

(4) Deposits and Investments (continued)

	<u>2006</u>	<u>2005</u>
<u>Investments</u>		
U.S. government securities:		
U. S. Treasury Bills	\$ 3,087,000	-
Federal Home Loan Bank	1,175,000	500,000
Federal National Mortgage Association	<u>1,100,000</u>	<u>650,000</u>
Total investments	<u>5,362,000</u>	<u>1,150,000</u>
 Total deposits and investments	 \$ <u>15,384,167</u>	 <u>12,879,961</u>

Deposits and investments of the Foundation at August 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
<u>Deposits</u>		
Cash – demand deposits	\$ <u>114,854</u>	<u>116,489</u>
Total deposits	<u>114,854</u>	<u>116,489</u>
<u>Investments</u>		
U.S. government securities:		
Federal National Mortgage Association	74,000	64,900
Federal Farm Credit Bank	79,130	25,047
Federal Home Loan Mortgage Corporation	212,048	150,676
Federal Home Loan Bank	118,516	60,058
Corporate bonds	128,124	167,914
Marketable equity securities	377,831	271,971
Other investments	<u>275,863</u>	<u>386,021</u>
Total investments	<u>1,265,512</u>	<u>1,126,587</u>
 Total deposits and investments	 \$ <u>1,380,366</u>	 <u>1,243,076</u>

The weighted average maturity of investments (in years) of the District at August 31, 2006 and 2005 consists of the following:

	<u>2006</u>	<u>2005</u>
<u>Investments</u>		
U.S. government securities:		
U. S. Treasury Bills	.8 years	1.4 years
Federal Home Loan Bank	1.9 years	3.0 years
Federal National Mortgage Association	.6 years	-

## Navarro College District

### Notes to Financial Statements (Continued)

#### (4) Deposits and Investments (continued)

*Interest Rate Risk.* 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.* 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. The District's investments in Federal Home Loan Bank and Federal National Mortgage Association securities are rated AAA by Standard and Poor's.

*Concentration of Credit Risk.* The District places no limit on the amount the district may invest in any one issuer. More than 5% of the District's investments are in the Federal Home Loan Bank and the Federal National Mortgage Association. These investments are 22% and 21%, respectively, of the District's total investments.

*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.

#### (5) Accounts Receivable

Accounts receivable at August 31, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Tuition and fees	\$ 2,256,844	3,189,718
Ad valorem property taxes	312,175	288,833
Federal and state grants	410,970	600,618
Interest	108,228	32,622
Auxiliary and other	<u>384,771</u>	<u>415,360</u>
	3,472,988	4,527,151
Less allowance for doubtful accounts	<u>(756,866)</u>	<u>(556,866)</u>
Accounts receivable, net	\$ <u>2,716,122</u>	<u>3,970,285</u>

## Navarro College District

### Notes to Financial Statements (Continued)

#### (6) Capital Assets

Capital asset activity for the District for the year ended August 31, 2006 was as follows:

	<u>Balance</u> <u>September 1,</u> <u>2005</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Retirements</u>	<u>Balance</u> <u>August 31,</u> <u>2006</u>
Capital assets, not being depreciated:				
Land	\$ 1,961,759	1,017,759	(365,625)	2,613,893
Collections	434,339	-	-	434,339
Construction in progress	<u>8,081,423</u>	<u>1,817,727</u>	<u>(9,858,118)</u>	<u>41,032</u>
	<u>10,477,521</u>	<u>2,835,486</u>	<u>(10,223,743)</u>	<u>3,089,264</u>
Capital assets, being depreciated:				
Buildings and building improvements	39,019,115	1,794,825	7,958,118	48,772,058
Other real estate improvements	<u>3,225,366</u>	<u>519,797</u>	<u>-</u>	<u>3,745,163</u>
Total buildings and other real estate improvements	42,244,481	2,314,622	7,958,118	52,517,221
Library books	1,158,271	58,044	-	1,216,315
Furniture and equipment	<u>3,446,311</u>	<u>239,786</u>	<u>-</u>	<u>3,686,097</u>
	<u>46,849,063</u>	<u>2,612,452</u>	<u>7,958,118</u>	<u>57,419,633</u>
Less accumulated depreciation:				
Buildings and building improvements	(8,794,424)	(788,080)	-	(9,582,504)
Other real estate improvements	<u>(1,341,890)</u>	<u>(124,105)</u>	<u>-</u>	<u>(1,465,995)</u>
Total buildings and other real estate improvements	(10,136,314)	(912,185)	-	(11,048,499)
Library books	(786,139)	(46,185)	-	(832,324)
Furniture and equipment	<u>(1,323,895)</u>	<u>(325,383)</u>	<u>-</u>	<u>(1,649,278)</u>
	<u>(12,246,348)</u>	<u>(1,283,753)</u>	<u>-</u>	<u>(13,530,101)</u>
	<u>34,602,715</u>	<u>1,328,699</u>	<u>7,958,118</u>	<u>43,889,532</u>
	<u>\$ 45,080,236</u>	<u>4,164,185</u>	<u>(2,265,625)</u>	<u>46,978,796</u>

**Navarro College District**

Notes to Financial Statements  
(Continued)

(6) Capital Assets (continued)

Capital asset activity for the year ended August 31, 2005 was as follows:

	<u>Balance September 1, 2004</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance August 31, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 1,552,731	409,028	-	1,961,759
Collections	434,339	-	-	434,339
Construction in progress	<u>2,409,423</u>	<u>11,846,241</u>	<u>(6,174,241)</u>	<u>8,081,423</u>
	<u>4,396,493</u>	<u>12,255,269</u>	<u>(6,174,241)</u>	<u>10,477,521</u>
Capital assets, being depreciated:				
Buildings and building improvements	32,494,094	350,780	6,174,241	39,019,115
Other real estate improvements	<u>2,915,376</u>	<u>309,990</u>	<u>-</u>	<u>3,225,366</u>
Total buildings and other real estate improvements	35,409,470	660,770	6,174,241	42,244,481
Library books	1,104,090	54,181	-	1,158,271
Furniture and equipment	<u>2,898,295</u>	<u>620,305</u>	<u>(72,289)</u>	<u>3,446,311</u>
	<u>39,411,855</u>	<u>1,335,256</u>	<u>6,101,952</u>	<u>46,849,063</u>
Less accumulated depreciation:				
Buildings and building improvements	(8,162,096)	(632,328)	-	(8,794,424)
Other real estate improvements	<u>(1,236,940)</u>	<u>(104,950)</u>	<u>-</u>	<u>(1,341,890)</u>
Total buildings and other real estate improvements	(9,399,036)	(737,278)	-	(10,136,314)
Library books	(726,686)	(59,453)	-	(786,139)
Furniture and equipment	<u>(1,101,430)</u>	<u>(294,754)</u>	<u>72,289</u>	<u>(1,323,895)</u>
	<u>(11,227,152)</u>	<u>(1,091,485)</u>	<u>72,289</u>	<u>(12,246,348)</u>
	<u>28,184,703</u>	<u>243,771</u>	<u>6,174,241</u>	<u>34,602,715</u>
	<u>\$ 32,581,196</u>	<u>12,499,040</u>	<u>-</u>	<u>45,080,236</u>

**Navarro College District**

Notes to Financial Statements  
(Continued)

(6) Capital Assets (continued)

Capital asset activity for the Foundation for the year ended August 31, 2006 was as follows:

	<u>Balance September 1, 2005</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance August 31, 2006</u>
Capital assets, not being depreciated:				
Collections	\$ <u>7,138,293</u>	<u>403,149</u>	<u>-</u>	<u>7,541,442</u>
Capital assets, being depreciated:				
Buildings and building improvements	491,932	-	-	491,932
Less accumulated depreciation:				
Buildings and building improvements	<u>(408,694)</u>	<u>(19,677)</u>	<u>-</u>	<u>(428,371)</u>
	<u>83,238</u>	<u>(19,677)</u>	<u>-</u>	<u>63,561</u>
	<u>\$ 7,221,531</u>	<u>383,472</u>	<u>-</u>	<u>7,605,003</u>

Capital asset activity for the Foundation for the year ended August 31, 2005 was as follows:

	<u>Balance September 1, 2004</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance August 31, 2005</u>
Capital assets, not being depreciated:				
Collections	\$ <u>5,329,600</u>	<u>1,808,693</u>	<u>-</u>	<u>7,138,293</u>
Capital assets, being depreciated:				
Buildings and building improvements	2,105,882	-	(1,613,950)	491,932
Less accumulated depreciation:				
Buildings and building improvements	<u>(626,497)</u>	<u>(19,677)</u>	<u>237,480</u>	<u>(408,694)</u>
	<u>1,479,385</u>	<u>(19,677)</u>	<u>(1,376,470)</u>	<u>83,238</u>
	<u>\$ 6,808,985</u>	<u>1,789,016</u>	<u>(1,376,470)</u>	<u>7,221,531</u>

## Navarro College District

### Notes to Financial Statements (Continued)

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2006 was as follows:

	<u>Balance</u> September 1, 2005	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> August 31, 2006	<u>Due</u> <u>Within</u> <u>One Year</u>
Bonds and notes payable:					
Revenue bonds	\$ 20,490,000	3,550,000	300,000	23,740,000	670,000
Deferred amounts:					
On refunding	268,537	-	53,708	214,829	-
Notes payable	<u>448,093</u>	<u>-</u>	<u>193,971</u>	<u>254,122</u>	<u>100,685</u>
Total bonds and notes payable	21,206,630	3,550,000	547,679	24,208,951	770,685
Capital lease	4,857,779	-	161,395	4,696,384	161,384
Other liabilities:					
Compensated absences	1,127,933	258,476	91,051	1,295,358	143,901
Claims and judgments	<u>140,304</u>	<u>36,482</u>	<u>36,482</u>	<u>140,304</u>	<u>25,128</u>
	<u>\$ 27,332,646</u>	<u>3,844,958</u>	<u>836,607</u>	<u>30,340,997</u>	<u>1,101,098</u>

Long-term liability activity for the year ended August 31, 2005 was as follows:

	<u>Balance</u> September 1, 2004	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> August 31, 2005	<u>Due</u> <u>Within</u> <u>One Year</u>
Bonds and notes payable:					
Revenue bonds	\$ 20,715,000	-	225,000	20,490,000	300,000
Deferred amounts:					
On refunding	322,245	-	53,708	268,537	-
Notes payable	<u>635,863</u>	<u>-</u>	<u>187,770</u>	<u>448,093</u>	<u>193,948</u>
Total bonds and notes payable	21,673,108	-	466,478	21,206,630	493,948
Capital leases	235,196	4,750,000	127,417	4,857,779	162,174
Other liabilities:					
Compensated absences	1,048,216	145,030	65,313	1,127,933	191,749
Claims and judgments	<u>149,845</u>	<u>28,843</u>	<u>38,384</u>	<u>140,304</u>	<u>35,076</u>
	<u>\$ 23,106,365</u>	<u>4,923,873</u>	<u>697,592</u>	<u>27,332,646</u>	<u>882,947</u>

**Navarro College District**

Notes to Financial Statements  
(Continued)

(7) Long-Term Liabilities (continued)

Revenue bonds at August 31, 2006 and 2005 are comprised of the following individual issues:

	<u>2006</u>	<u>2005</u>
\$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%	\$ 20,190,000	20,490,000
\$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2026; interest at 3.7%	<u>3,550,000</u>	<u>-</u>
	<u>\$ 23,740,000</u>	<u>20,490,000</u>

Notes payable at August 31, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
\$400,000 note payable to a bank due in semi-annual installments of \$26,528 through May 2007; interest at 5.9%; secured by a building	\$ 47,604	95,616
\$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% (5.83% at August 31, 2006); secured by land	206,518	256,977
\$750,000 note payable to a bank due in semi-annual installments of \$49,731 through March 2006, interest at 5.45% at August 31, 2005; secured by a building	<u>-</u>	<u>95,500</u>
	<u>\$ 254,122</u>	<u>448,093</u>

Debt service requirements to amortize revenue bonds payable and notes payable as of August 31, 2006, are as follows:

## Navarro College District

### Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

For the Year Ended August 31,	Revenue Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2007	\$ 670,000	1,107,889	100,685	13,279	1,891,853
2008	720,000	1,060,655	54,290	7,544	1,842,489
2009	745,000	1,038,145	58,556	4,234	1,845,935
2010	765,000	1,013,630	40,591	1,918	1,821,139
2011	795,000	986,585	-	-	1,781,585
2012 – 2016	4,470,000	4,427,925	-	-	8,897,925
2017 – 2021	5,610,000	3,291,058	-	-	8,901,058
2022 – 2026	7,135,000	1,764,860	-	-	8,899,860
2027 – 2028	<u>2,830,000</u>	<u>214,000</u>	<u>-</u>	<u>-</u>	<u>3,044,000</u>
	<u>\$ 23,740,000</u>	<u>14,904,747</u>	<u>254,122</u>	<u>26,975</u>	<u>38,925,844</u>

(8) Capital Lease Obligations

The District leases a building under a noncancelable capital lease agreement that expires in August 2029. Assets under capital leases at August 31, 2006 consisted of the following:

Building	\$ 4,750,000
Less: accumulated amortization	<u>(49,875)</u>
	<u>\$ 4,700,125</u>

The future minimum lease obligations and the net present value of future minimum lease payments as of August 31, 2006 are as follows:

<u>Fiscal Year</u>	
2007	\$ 371,911
2008	318,125
2009	317,375
2010	316,375
2011	320,125
2012 – 2016	1,598,450
2017 – 2021	1,637,595
2022 – 2026	1,696,170
2027 – 2029	<u>1,044,170</u>
Total minimum lease payments	7,620,296
Less amounts representing interest (at rates ranging from 4% to 5%)	<u>2,923,912</u>
Present value of minimum capital lease payments	<u>\$ 4,696,384</u>

## Navarro College District

### Notes to Financial Statements (Continued)

#### (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 transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. 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](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* State law provides for fiscal years 2004, 2005, and 2006 a state contribution rate of 6.0% and a member contribution rate of 6.4%. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (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 during that fiscal year; (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 contributions to TRS made on behalf of the District's employees for the years ended August 31, 2004, 2005, and 2006 were \$336,602, \$366,331, and \$413,862, 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 6.0% and 6.65%, respectively. The District supplements an additional 2.5% for a total of 8.5%. The contribution requirements for the years ended August 31, 2006, 2005 and 2004 were \$525,061, \$476,209 and \$461,186 which consisted of \$209,866, \$189,946 and \$183,148 from the State; \$250,316, \$225,752 and \$217,735 from the employees; \$48,895, \$44,426 and \$44,778 from the District; and \$15,984, \$16,085 and \$15,525 from federal grants.

## Navarro College District

### Notes to Financial Statements (Continued)

#### (9) Employees' Retirement Plan (continued)

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 \$16,274,237 and \$14,841,018 for the years ended August 31, 2006 and 2005, respectively. The total payroll of employees covered by TRS was \$8,728,293 and \$7,492,111, and the total payroll of employees covered by the optional retirement program was \$3,497,738 and \$3,165,760 for the years ended August 31, 2006 and 2005, respectively.

#### (10) Compensated Absences

Full-time employees earn vacation at 6.67 hours per month. The District's policy is that any employee may carry accrued vacation forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid vacation of \$320,081 and \$260,014 at August 31, 2006 and 2005, 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 \$975,277 and \$867,919 at August 31, 2006 and 2005, 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

## Navarro College District

### Notes to Financial Statements (Continued)

#### (11) Risk Management (continued)

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. 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 two years are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 140,304	149,845
Incurred claims (including IBNR)	36,482	28,843
Claim payments	<u>(36,482)</u>	<u>(38,384)</u>
Unpaid claims, end of year	\$ <u>140,304</u>	<u>140,304</u>

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

In addition to providing pension benefits described in Notes 9 and 13, the State provides certain health care and life insurance benefits for retired employees of the District. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was approximately \$343 and \$316, respectively, per month for the years ended August 31, 2006 and 2005, and totaled \$1,238,701 and \$1,060,559 (including amounts received under SKIP of \$7,227 and \$7,656) for 2006 and 2005, respectively. The cost of providing those benefits for an average of 59 retirees was \$288,076 and for an average of 222 active employees was \$943,398 for the year ended August 31, 2006. The cost of providing those benefits for an average of 59 retirees was \$259,903 and for an average of 204 active employees was \$792,999 for the year ended August 31, 2005. These contributions made by the State on behalf of the District are reported as revenues and expenses in the accompanying financial statements.

#### (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

## Navarro College District

### Notes to Financial Statements (Continued)

(13) Voluntary Contributory Pension Plan (continued)

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 \$670,032 and \$595,149 in 2006 and 2005, respectively. Participant contributions were \$418,770 and \$372,152 in 2006 and 2005, respectively.

(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>2006</u>	<u>2005</u>
Assessed valuation of the District	\$ 1,854,903,155	1,726,100,913
Less: Abatements	58,649,052	43,116,370
Less: Exemptions	<u>55,521,462</u>	<u>58,122,549</u>
Net assessed valuation of the District	\$ <u>1,740,732,641</u>	<u>1,624,861,994</u>

Tax rates authorized and assessed during fiscal year 2006 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	0.140500	0.000000	0.140500

Tax rates authorized and assessed during fiscal year 2005 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	0.140500	0.000000	0.140500

## Navarro College District

### Notes to Financial Statements (Continued)

(14) Ad Valorem Property Taxes (continued)

Taxes levied for the year ended August 31, 2006 are \$2,445,735. 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, 2006 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,347,645	-	2,347,645
Delinquent taxes collected	84,645	-	84,645
Penalties and interest collected	<u>54,235</u>	<u>-</u>	<u>54,235</u>
 Total collections	 \$ <u>2,486,525</u>	 <u>-</u>	 <u>2,486,525</u>

Taxes levied for the year ended August 31, 2005 were \$2,282,931. Tax collections for the year ended August 31, 2005 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,171,204	-	2,171,204
Delinquent taxes collected	96,702	-	96,702
Penalties and interest collected	<u>34,464</u>	<u>-</u>	<u>34,464</u>
 Total collections	 \$ <u>2,302,370</u>	 <u>-</u>	 <u>2,302,370</u>

Tax collections for the years ended August 31, 2006 and 2005 were 96% 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.

## Navarro College District

### Notes to Financial Statements (Continued)

#### (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 2006 or 2005.

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

#### (17) Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 basically 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, 2006 and 2005 in the amount of \$51,601 and \$90,474, respectively.

The District leases dormitory facilities from the Foundation. During the years ended August 31, 2006 and 2005, the District paid \$58,200 and \$77,600, respectively, to the Foundation under the lease agreement.

## Navarro College District

### Notes to Financial Statements (Continued)

#### (21) Noncash Financing and Investing Activities

A capital lease obligation of \$4,750,000 was incurred in 2005 when the District entered into a lease for a new campus facility in Midlothian, Texas.

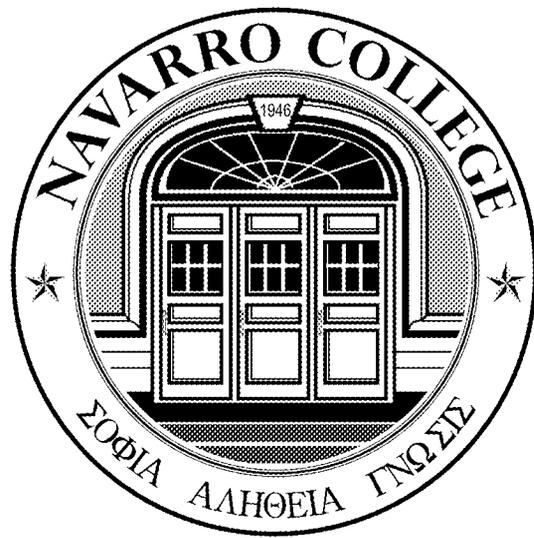
#### (22) Prior Period Adjustments

The financial statements at September 1, 2004 have been restated to (1) record accumulated depreciation on library books of \$726,686; (2) to reduce depreciation previously recorded by \$1,194,470; (3) to increase the allowance for doubtful accounts by \$200,000; and (4) to record the deferred gain on the 2003 refunding of \$322,245. These restatements decreased net assets as of September 1, 2004 by \$54,461 and decreased change in net assets for 2005 by \$66,665.

#### (23) Authoritative Pronouncement Not Yet Adopted

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 requires employers to account for and report the annual other postemployment benefit (OPEB) costs based on actuarially determined amounts, similar to pension plans. The provisions of this statement may be applied prospectively. The liability related to OPEB can be established at zero in the year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement No. 45 also requires the additional disclosure requirements for the plans. The requirements of this Statement are effective in three phases based on total annual revenues with the first phase effective for periods beginning after December 15, 2006. The District has not yet determined the effects of these requirements on its financial statements.

## **Supplemental Information**



**Navarro College District**

Schedule of Operating Revenues  
(Schedule A)

Year Ended August 31, 2006  
(With Totals for the Year Ended August 31, 2005)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2006	2005
<b>Tuition and fees:</b>						
State funded credit courses:						
In-district resident tuition	\$ 915,440	-	915,440	-	915,440	836,576
Out-of-district resident tuition	3,040,652	-	3,040,652	-	3,040,652	2,793,215
Non-resident tuition	447,073	-	447,073	-	447,073	507,782
TPEG - credit (set aside)	250,127	-	250,127	-	250,127	232,077
State funded continuing education	488,035	-	488,035	-	488,035	424,689
TPEG - non-credit (set aside)	28,851	-	28,851	-	28,851	24,856
Non-state funded educational programs	13,894	-	13,894	-	13,894	16,821
<b>Total tuition</b>	<b>5,184,072</b>	<b>-</b>	<b>5,184,072</b>	<b>-</b>	<b>5,184,072</b>	<b>4,836,016</b>
<b>Fees:</b>						
Building use fees	1,638,960	-	1,638,960	-	1,638,960	1,586,746
Student services fees	377,375	-	377,375	-	377,375	327,024
Laboratory fees	244,417	-	244,417	-	244,417	228,699
Out-of-district fees	2,501,509	-	2,501,509	-	2,501,509	2,358,743
Other fees	142,929	-	142,929	-	142,929	232,821
<b>Total fees</b>	<b>4,905,190</b>	<b>-</b>	<b>4,905,190</b>	<b>-</b>	<b>4,905,190</b>	<b>4,734,033</b>
<b>Scholarship allowances and discounts:</b>						
Title IV federal grants	(4,288,875)	-	(4,288,875)	-	(4,288,875)	(3,785,396)
TPEG awards	(277,832)	-	(277,832)	-	(277,832)	(321,759)
<b>Total scholarship allowances</b>	<b>(4,566,707)</b>	<b>-</b>	<b>(4,566,707)</b>	<b>-</b>	<b>(4,566,707)</b>	<b>(4,107,155)</b>
<b>Total net tuition and fees</b>	<b>5,522,555</b>	<b>-</b>	<b>5,522,555</b>	<b>-</b>	<b>5,522,555</b>	<b>5,462,894</b>
<b>Additional operating revenues:</b>						
Federal grants and contracts	-	9,887,235	9,887,235	-	9,887,235	9,712,239
State grants and contracts	-	638,876	638,876	-	638,876	578,687
Local grants and contracts	-	105,942	105,942	-	105,942	114,415
Sales and services of educational activities	302,157	-	302,157	-	302,157	309,673
General operating revenues	226,393	-	226,393	-	226,393	159,978
<b>Total additional operating revenues</b>	<b>528,550</b>	<b>10,632,053</b>	<b>11,160,603</b>	<b>-</b>	<b>11,160,603</b>	<b>10,874,992</b>
<b>Auxiliary enterprises:</b>						
Bookstore	-	-	-	3,806,827	3,806,827	3,765,006
less discounts	-	-	-	(1,569,314)	(1,569,314)	(1,703,428)
Dining services	-	-	-	1,698,599	1,698,599	1,648,816
less discounts	-	-	-	(741,858)	(741,858)	(805,257)
Housing	-	-	-	1,345,458	1,345,458	979,542
less discounts	-	-	-	(542,127)	(542,127)	(588,457)
Athletic sales and student programs	-	-	-	32,123	32,123	68,108
Gift shop	-	-	-	42,054	42,054	38,113
Other auxiliary enterprises	-	-	-	17,171	17,171	-
<b>Total net auxiliary enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,088,933</b>	<b>4,088,933</b>	<b>3,402,443</b>
<b>Total operating revenues</b>	<b>\$ 6,051,105</b>	<b>10,632,053</b>	<b>16,683,158</b>	<b>4,088,933</b>	<b>20,772,091</b>	<b>19,740,329</b>

In accordance with Education Code 56.033, \$278,978 and \$256,933 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2006 and 2005, respectively.

See accompanying independent auditors' report.

**Navarro College District**

Schedule of Operating Expenses by Object  
(Schedule B)

Year Ended August 31, 2006  
(With Totals for the year ended August 31, 2005)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2006	2005
		State	Local			
<b>Unrestricted - educational activities:</b>						
Instruction	\$ 8,838,300	-	1,171,533	759,210	10,769,043	10,171,493
Public service	13,300	-	1,635	4,403	19,338	20,219
Academic support	1,672,948	-	217,515	1,009,902	2,900,365	2,096,152
Student services	1,115,996	-	145,010	528,828	1,789,834	1,513,736
Institutional support	1,812,957	-	235,687	1,700,223	3,748,867	2,959,790
Operation and maintenance of plant	528,386	-	68,689	2,582,868	3,179,943	2,388,625
Total unrestricted educational activities	<u>13,981,887</u>	<u>-</u>	<u>1,840,069</u>	<u>6,585,434</u>	<u>22,407,390</u>	<u>19,150,015</u>
<b>Restricted - educational activities:</b>						
Instruction	598,029	1,199,219	101,425	628,350	2,527,023	2,329,076
Public service	80,872	1,862	20,892	12,401	116,027	103,647
Academic support	-	200,770	-	-	200,770	159,581
Student services	218,189	148,622	63,353	74,809	504,973	122,918
Institutional support	-	241,557	-	-	241,557	201,569
Operation and maintenance of plant	-	70,400	-	-	70,400	64,379
Scholarships and fellowships	-	-	-	2,309,532	2,309,532	2,325,806
Total restricted educational activities	<u>897,090</u>	<u>1,862,430</u>	<u>185,670</u>	<u>3,025,092</u>	<u>5,970,282</u>	<u>5,306,976</u>
Total educational activities	<u>14,878,977</u>	<u>1,862,430</u>	<u>2,025,739</u>	<u>9,610,526</u>	<u>28,377,672</u>	<u>24,456,991</u>
<b>Auxiliary enterprises</b>	<u>1,284,149</u>	<u>-</u>	<u>227,075</u>	<u>5,813,516</u>	<u>7,324,740</u>	<u>6,851,913</u>
<b>Depreciation expense:</b>						
Buildings and other improvements	-	-	-	912,185	912,185	737,278
Equipment and furniture	-	-	-	325,383	325,383	294,754
Library books	-	-	-	46,185	46,185	59,453
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,283,753</u>	<u>1,283,753</u>	<u>1,091,485</u>
Total operating expenses	<u>\$ 16,163,126</u>	<u>1,862,430</u>	<u>2,252,814</u>	<u>16,707,795</u>	<u>36,986,165</u>	<u>32,400,389</u>

See accompanying independent auditors' report.

**Navarro College District**

Schedule of Nonoperating Revenues and Expenses  
(Schedule C)

Year Ended August 31, 2006  
(With Totals for the Year Ended August 31, 2005)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>	
				2006	2005
<b>Nonoperating revenues:</b>					
State Appropriations:					
Education and general state support	\$ 12,128,856	-	-	12,128,856	8,903,256
State group insurance	-	1,238,702	-	1,238,702	1,028,193
State retirement matching	-	623,728	-	623,728	556,277
Total state appropriations	<u>12,128,856</u>	<u>1,862,430</u>	<u>-</u>	<u>13,991,286</u>	<u>10,487,726</u>
Maintenance ad valorem taxes	2,483,723	-	-	2,483,723	2,302,370
Investment income	176,213	242,089	63,692	481,994	382,527
Gifts	-	608,458	-	608,458	560,903
Gain on sale of capital asset	484,375	-	-	484,375	-
Other nonoperating revenues	56,748	-	-	56,748	87,152
Total nonoperating revenues	<u>15,329,915</u>	<u>2,712,977</u>	<u>63,692</u>	<u>18,106,584</u>	<u>13,820,678</u>
<b>Nonoperating expenses:</b>					
Interest on capital related debt	1,188,057	-	-	1,188,057	1,035,709
Total nonoperating expenses	<u>1,188,057</u>	<u>-</u>	<u>-</u>	<u>1,188,057</u>	<u>1,035,709</u>
Net nonoperating revenues	<u>\$ 14,141,858</u>	<u>2,712,977</u>	<u>63,692</u>	<u>16,918,527</u>	<u>12,784,969</u>

See accompanying independent auditors' report.

**Navarro College District**

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

Year Ended August 31, 2006

				Available for Current Operation		
	<u>Unrestricted</u>	<u>Restricted - Expendable</u>	<u>Invested in Capital Assets, Net of Related Debt</u>	<u>Total</u>	<u>Yes</u>	<u>No</u>
Current:						
Unrestricted	\$ 1,983,794	-	-	1,983,794	1,983,794	-
Auxiliary	1,973,192	-	-	1,973,192	1,973,192	-
Scholarships and fellowships	-	3,107,220	-	3,107,220	-	3,107,220
Loan	-	-	-	-	-	-
Plant:						
Debt service	-	163,230	-	163,230	-	163,230
Investment in plant	<u>437,156</u>	<u>-</u>	<u>21,532,452</u>	<u>21,969,608</u>	<u>-</u>	<u>21,969,608</u>
 Total net assets, August 31, 2006	 4,394,142	 3,270,450	 21,532,452	 29,197,044	 3,956,986	 25,240,058
 Total net assets, August 31, 2005	 <u>4,036,085</u>	 <u>3,282,817</u>	 <u>21,173,689</u>	 <u>28,492,591</u>	 <u>3,125,240</u>	 <u>25,367,351</u>
 Net increase (decrease) in net assets	 \$ <u>358,057</u>	 <u>(12,367)</u>	 <u>358,763</u>	 <u>704,453</u>	 <u>831,746</u>	 <u>(127,293)</u>

See accompanying independent auditors' report.

**Navarro College District**

Schedule of Expenditures of Federal Awards  
(Schedule E)

Year Ended August 31, 2006

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Indirect Costs, Pass Through Disbursements and Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Federal Supplemental Education Opportunity Grant Program	84.007 *1		\$ 144,669
Federal Work Study Program	84.033 *1		217,732
TRIO - Student Support Services	84.042		356,351
Federal Pell Grant Program	84.063 *1		<u>7,862,375</u>
Total Direct Programs			<u>8,581,127</u>
Pass Through From:			
Texas Education Agency:			
Adult Education	84.002	064100017110086	<u>321,814</u>
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	64231	<u>475,447</u>
Dallas County Community College District:			
Vocational Education - Technical Preparation	84.243		<u>140,036</u>
Total U. S. Department of Education			<u>9,518,424</u>
<u>U. S. Small Business Administration</u>			
Pass Through From Dallas County Community College District:			
Small Business Development	59.037		<u>47,928</u>
Total U. S. Small Business Administration			<u>47,928</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From Texas Education Agency:			
Temporary Assistance for Needy Families	93.558	063625017110079	<u>20,644</u>
Total U.S. Department of Health and Human Services			<u>20,644</u>
<u>U. S. Department of Labor</u>			
Pass Through From North Central Texas Council of Governments:			
North Central Texas Employee Development Fund	17.260	FY-06-NCTEDF-04	61,624
North Central Texas Employee Development Fund	17.259	FY-06-NCTEDF-09	66,236
First Generation College Student Initiative - Academic	17.258	FY-06-FGCS-01	103,780
First Generation College Student Initiative - Academic	17.580	FY-07-FGCS-01-B	15,459
First Generation College Student Initiative - Bridging the Gap	17.260	FY-06-FGCS-01	<u>51,825</u>
Total U.S. Department of Labor			<u>298,924</u>
Total Federal Awards			<u>\$ 9,885,920</u>

\* Federal award cluster of programs

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, 2006

(1) Federal Revenue Reconciliation

Federal revenues for 2006 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 9,887,235
Less: Veterans Administration processing fees	<u>(1,315)</u>
Total per Schedule of Expenditures of Federal Awards	\$ <u>9,885,920</u>

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Student Loans Processed and Administrative Costs Recovered

	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total loans Processed and Administrative Cost Recovered</u>
U. S. Department of Education 84.032 Federal Family Education Loans	\$ <u>12,644,241</u>	<u>-</u>	<u>12,644,241</u>



**Navarro College District**

Schedule of Expenditures of State Awards  
(Schedule F)

Year Ended August 31, 2006

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board		
State Work Study		\$ 29,159
Texas Grant Program		263,397
Texas Grant II Program		69,850
Texas Tomorrow Fund		51,253
State Student Incentive Grant		26,608
Certified Education Aide		56,167
Total Texas Higher Education Coordinating Board		<u>496,434</u>
Texas Education Agency		
State Adult Education	060100017110086	63,302
Temporary Assistance for Needy Families	060110017110079	15,314
Total Texas Education Agency		<u>78,616</u>
Small Business Development Center		<u>40,892</u>
Early High School Graduate		<u>12,934</u>
Charley Wootan		<u>10,000</u>
Total State Awards		<u>\$ 638,876</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, 2006

(1) State Revenue Reconciliation

State revenues for 2006 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>638,876</u>
Total per Schedule of Expenditures of State Awards	\$ <u>638,876</u>

(2) Basis of Presentation

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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



## **Statistical Section**



**Navarro College District**

Net Asset by Component  
Fiscal Years 2002 to 2006  
(Unaudited)

	For the Fiscal Year Ended August 31,				
	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 21,532,452	21,173,689	20,707,351	15,590,718	15,094,013
Restricted - expendable	3,270,450	3,282,817	3,194,512	3,020,182	3,758,768
Unrestricted	<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>
Total net assets	<u>\$ 29,197,044</u>	<u>28,492,591</u>	<u>28,422,143</u>	<u>22,191,124</u>	<u>21,032,211</u>

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

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

**Navarro College District**

Revenues by Source  
Fiscal Years 2002 to 2006  
(Unaudited)

For the Fiscal Year Ended August 31,

	2006	2005	2004	2003	2002
Tuition and fees (net of discounts)	\$ 5,522,555	5,462,894	4,084,042	3,125,956	3,130,078
Federal grants and contracts	9,887,235	9,712,239	9,200,485	8,539,636	4,610,125
State grants and contracts	638,876	578,687	123,677	756,683	300,815
Local grants and contracts	105,942	114,415	120,458	178,689	149,144
Sales and services of educational activities	302,157	309,673	259,937	99,911	114,661
Auxiliary enterprises (net of discounts)	4,088,933	3,402,443	2,784,283	2,670,875	3,246,371
Other operating revenues	226,393	159,978	185,027	218,294	191,774
<b>Total operating revenues</b>	<b>20,772,091</b>	<b>19,740,329</b>	<b>16,757,909</b>	<b>15,590,044</b>	<b>11,742,968</b>
State appropriations	13,991,286	10,487,726	10,153,252	9,900,296	10,901,088
Ad valorem property taxes	2,483,723	2,302,370	2,295,887	2,077,465	2,013,756
Gifts	608,458	560,903	5,132,837	55,615	356,890
Investment income	481,994	382,527	376,719	412,460	257,614
Other non-operating revenues	56,748	87,152	-	-	-
Gain on sale of capital assets	484,375	-	132,566	-	-
<b>Total non-operating revenues</b>	<b>18,106,584</b>	<b>13,820,678</b>	<b>18,091,261</b>	<b>12,445,836</b>	<b>13,529,348</b>
<b>Total revenues</b>	<b>\$ 38,878,675</b>	<b>33,561,007</b>	<b>34,849,170</b>	<b>28,035,880</b>	<b>25,272,316</b>
Tuition and fees (net of discounts)	14.20%	16.28%	11.72%	11.15%	12.39%
Federal grants and contracts	25.43%	28.94%	26.40%	30.45%	18.24%
State grants and contracts	1.64%	1.72%	0.35%	2.70%	1.19%
Local grants and contracts	0.27%	0.34%	0.35%	0.64%	0.59%
Sales and services of educational activities	0.78%	0.92%	0.75%	0.36%	0.45%
Auxiliary enterprises (net of discounts)	10.52%	10.14%	7.99%	9.53%	12.85%
Other operating revenues	0.58%	0.48%	0.53%	0.78%	0.76%
<b>Total operating revenues</b>	<b>53.43%</b>	<b>58.82%</b>	<b>48.09%</b>	<b>55.61%</b>	<b>46.47%</b>
State appropriations	35.99%	31.25%	29.13%	35.31%	43.13%
Ad valorem property taxes	6.39%	6.86%	6.59%	7.41%	7.97%
Gifts	1.57%	1.67%	14.73%	0.20%	1.41%
Investment income	1.24%	1.14%	1.08%	1.47%	1.02%
Other non-operating revenues	0.15%	0.26%	0.00%	0.00%	0.00%
Gain on sale of capital assets	1.25%	0.00%	0.38%	0.00%	0.00%
<b>Total non-operating revenues</b>	<b>46.57%</b>	<b>41.18%</b>	<b>51.91%</b>	<b>44.39%</b>	<b>53.53%</b>
<b>Total revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

**Navarro College District**

Expenses by Function and Changes in Net Assets  
Fiscal Years 2002 to 2006  
(Unaudited)

	For the Fiscal Year Ended August 31,				
	2006	2005	2004	2003	2002
Instruction	\$ 13,296,066	12,500,569	11,621,720	11,673,577	9,631,145
Public service	135,365	123,866	19,341	16,109	113,734
Academic support	3,101,135	2,255,733	1,754,738	1,784,211	2,437,694
Student services	2,294,807	1,636,654	1,532,696	1,621,629	1,694,395
Institutional support	3,990,424	3,161,359	2,870,416	2,473,797	2,494,828
Operation and maintenance of plant	3,250,343	2,453,004	2,234,986	2,013,947	2,054,046
Scholarships and fellowships	2,309,532	2,325,806	564,981	592,402	1,057,714
Auxiliary enterprises	7,324,740	6,851,913	6,125,073	5,454,594	3,556,582
Depreciation	1,283,753	1,091,485	755,684	666,374	599,763
Total operating expenses	<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>
Interest on capital related debt	1,188,057	1,035,709	1,138,516	572,173	382,556
Total non-operating expenses	<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,516</u>	<u>572,173</u>	<u>382,556</u>
Total expenses	<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>
Change in net assets	<u>\$ 704,453</u>	<u>124,909</u>	<u>6,231,019</u>	<u>1,167,067</u>	<u>1,249,859</u>
Instruction	34.83%	37.39%	40.61%	43.45%	40.09%
Public service	0.35%	0.37%	0.07%	0.06%	0.47%
Academic support	8.12%	6.75%	6.13%	6.64%	10.15%
Student services	6.01%	4.89%	5.36%	6.04%	7.05%
Institutional support	10.45%	9.45%	10.03%	9.21%	10.39%
Operation and maintenance of plant	8.51%	7.34%	7.81%	7.50%	8.55%
Scholarships and fellowships	6.05%	6.96%	1.97%	2.20%	4.40%
Auxiliary enterprises	19.19%	20.49%	21.40%	20.30%	14.81%
Depreciation	3.36%	3.26%	2.64%	2.48%	2.50%
Total operating expenses	<u>96.89%</u>	<u>96.90%</u>	<u>96.02%</u>	<u>97.87%</u>	<u>98.41%</u>
Interest on capital related debt	3.11%	3.10%	3.98%	2.13%	1.59%
Total non-operating expenses	<u>3.11%</u>	<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>	<u>1.59%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<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 2002-2006 are available.

**Navarro College District**

Tuition and Fees  
Last Ten Academic Years  
(Unaudited)

<p><b>Resident</b> Cost for full time Navarro County student (1)</p>
--

Fiscal Year (Fall)	Tuition		General Services Fee	Matriculation Fee	Building Use Fee	Vehicle Registration Fee
	In-District	Out-of-District				
2006	\$ 360	648	-	10	144	10
2005	336	588	-	10	132	10
2004	324	576 (4)	- (4)	10	132	10
2003	264	504	42	10	120	10
2002	264	456	42	10	72	10
2001	264	408	42	10	72	0
2000	264 (3)	408	42	10	72	0
1999	216	336	42	10	72	0
1998	216	336	42 (2)	10	72	0
1997	216	324	30	10	72	0

Technology Fee	Total Cost		Increase from Prior Year		Semester Credit Hours
	In-District	Out-of-District	In-District	Out-of-District	
-	524	812	7.38%	9.73%	14,795
-	488	740	2.52%	1.65%	14,013
-	476	728	6.73%	6.12%	13,508
-	446	686	12.06%	16.27%	13,472
-	398	590	2.58%	10.90%	9,880
-	388	532	0.00%	0.00%	11,356
- (3)	388	532	0.00%	4.72%	10,115
48	388	508	0.00%	0.00%	9,189
48	388	508	10.23%	10.43%	9,098
24	352	460	0.00%	0.00%	9,017

(Continued)

**Navarro College District**

Tuition and Fees  
(Continued)

<p><b>Non - Resident</b> Cost for full time Out-of-State or International Student (1)</p>
---

Fiscal Year (Fall)	Tuition Out-of-State or International	Out-of-District Fee	General Services Fee	Matriculation Fee	Building Use Fee
2006	\$ 773	288	-	10	144
2005	677	252	-	10	132
2004	665	252 (4)	-	10 (4)	132
2003	605	240	42	10	120
2002	570	192	42	10	72
2001	473	144	42	10	72
2000	473 (3)	144	42	10	72
1999	400	120	42	10	72
1998	350	108	42 (2)	10	72
1997	350	108	30	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 hour load.
- (2) Includes athletic fee.
- (3) Technology fee now included in tuition.
- (4) General services fee and athletic fee now included in tuition.

<u>Vehicle Registration Fee</u>	<u>Technology Fee</u>	<u>Total Cost for Out-of-State or International</u>	<u>Increase from Prior Year for Out-of-State or International</u>	<u>Semester Credit Hours</u>
10	-	1,225	13.32%	3,785
10	-	1,081	1.12%	4,025
10	-	1,069	4.09%	4,355
10	-	1,027	14.62%	5,542
10	-	896	20.92%	6,243
0	-	741	0.00%	7,027
0	- (3)	741	7.08%	6,065
0	48	692	9.84%	4,586
0	48	630	6.06%	5,138
0	24	594	0.00%	5,404

**Navarro College District**

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

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value
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
2000	1,301,111,555	55,443,963	1,245,667,592
1999	1,196,054,824	56,743,224	1,139,311,600
1998	1,184,223,866	58,702,991	1,125,520,875
1997	1,150,518,357	63,605,041	1,086,913,316

**Source:** Navarro County Tax Assessor - Collector

**Note:** Property is assessed at full market value  
(a) per \$100 Taxable Assessed Valuation

Ratio of Taxable Value to Assessed Value	Estimated Actual Value	Direct Rate (a)		
		Maintenance and Operations	Debt Service	Total
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
95.74%	1,301,111,555	0.12180	-	0.12180
95.26%	1,196,054,824	0.12180	-	0.12180
95.04%	1,184,223,866	0.12180	-	0.12180
94.47%	1,150,518,357	0.12180	-	0.12180

## Navarro College District

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Navarro Collge District	\$ 0.1405	0.1405	0.1405	0.1418
County:				
Navarro County	0.6243	0.6246	0.5860	0.5496
Cities:				
Barry	0.3345	0.3380	0.3380	0.3380
Blooming Grove	0.4940	0.4383	0.4365	0.4387
Corsicana	0.6272	0.5995	0.5995	0.5995
Dawson	0.4516	0.4335	0.4334	0.4268
Emhouse	0.3341	0.3377	0.3377	0.3377
Frost	0.5000	0.4834	0.4983	0.4900
Good Low	0.1000	0.1000	-	-
Kerens	0.6107	0.5500	0.5500	0.5500
Rice	0.3063	0.2675	0.2500	0.2294
Richland	0.2056	0.2082	0.2079	0.1964
School Districts:				
Blooming Grove	1.5830	1.5781	1.5000	1.5000
Corsicana	1.6746	1.5208	1.4908	1.4908
Dawson	1.5000	1.5000	1.5000	1.5000
Frost	1.5650	1.5300	1.4300	1.4300
Kerens	1.4000	1.4000	1.4000	1.4000
Mildred	1.4220	1.4220	1.4220	1.4220
Rice	1.5896	1.5720	1.5822	1.5696

**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 rates apply to all District property owners, the City of Barry, Texas rates apply only to a small portion of District property owners whose property is located within the City's geographic boundaries.

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
0.1418	0.1218	0.1218	0.1218	0.1200	0.1200
0.5496	0.5496	0.5496	0.5058	0.5000	0.4631
0.3401	0.3401	0.3401	0.3401	0.3359	0.3274
0.4300	0.4300	0.4300	0.4305	0.4254	0.4254
0.5995	0.5995	0.5995	0.5995	0.5995	0.5051
0.4218	0.4213	0.4080	0.4060	0.4060	0.3877
0.3377	0.3377	0.3228	0.3401	0.3215	0.2937
0.4900	0.5000	0.5202	0.5297	0.5136	0.4965
-	-	-	-	-	-
0.5165	0.4999	0.4833	0.4833	0.4897	0.4896
0.2294	0.2172	0.2147	0.2147	0.2170	0.2074
0.2168	0.2301	0.2399	0.2572	0.2481	0.2500
1.5000	1.5500	1.5500	1.5500	1.5500	1.5540
1.4908	1.3499	1.5186	1.4686	1.4750	1.4750
1.5000	1.5000	1.4200	1.3660	1.3800	1.3500
1.4000	1.4000	1.4000	1.4000	1.3350	1.2900
1.3300	1.3300	1.3300	1.2300	1.2300	1.2300
1.4220	1.4220	1.4220	1.4220	1.4270	1.4270
1.5367	1.5188	1.5092	1.4956	1.5000	1.3542

**Navarro College District**

Principal Taxpayers  
Last Ten Tax Years  
(Unaudited)

Taxpayer	Type of Business	2005	2004	2003
TXU Electric	Electric Company	\$ 45,837,720	-	-
Guardian Industry	Glass Manufacturer	30,321,450	27,881,140	47,066,430
Russell Stover	Candy Manufacturer	27,311,080	25,355,140	21,916,170
Tru-Serv Corporation - Non-Abated	Retail Distribution	22,615,740	22,179,070	42,863,960
Guardian Industry - Abated	Glass Manufacturer	18,249,660	19,030,070	-
Pactiv-Foam	Foam Manufacturer	14,431,380	14,076,830	30,638,830
Union Pacific	RR Company	13,088,980	13,393,540	-
SouthWestern Bell Telephone	Telephone Company	11,558,680	-	-
Kohl's Distribution	Retail Distribution	11,238,160	-	-
Pactiv-Foam - Abated	Foam Manufacturer	7,491,480	6,655,720	-
Tru-Serv Corporation - Abated	Retail Distribution	-	10,565,510	-
K-Mart Corporation	Retail Distribution	-	-	52,168,950
Navarro Regional Hospital	Hospital	-	-	15,792,250
Williamhouse of Texas, LLC	Stationary Distribution	-	-	12,188,290
Shell Pipeline, Co.	Oil Distribution	-	-	11,796,340
Navarro Pecan Company	Pecan Wholesaler	-	-	11,683,940
Corsicana Technologies	Chemical Manufacturer	-	-	11,406,370
Oncor Electric Delivery	Electric Utility	-	42,837,170	-
Mobil Pipeline	Oil Distribution	-	-	-
Equilon Pipeline Company	Oil Distribution	-	-	-
Burlington Northern Santa Fe	Rail Road	-	-	-
Amoco Foam Products Co	Manufacturer	-	-	-
Cotter & Company	Oil Distribution	-	-	-
Venture Stores, Inc. #99	Retail Store	-	-	-
Toms Foods, Inc.	Manufacturer	-	-	-
Hat Brands, Inc.	Manufacturer	-	-	-
Tenneco	Automotive	-	-	-
KRCV, Corp	Banking	-	-	-
General Tel Co. of SW	Telephone Company	-	-	-
AP&P MFG, Inc	Manufacturer	-	-	-
Swift Transportation	Transportation	-	13,458,916	-
Totals		\$ <u>202,144,330</u>	<u>195,433,106</u>	<u>257,521,530</u>
Total taxable assessed value		\$ <u>1,740,732,641</u>	<u>1,624,861,994</u>	<u>1,554,022,861</u>

Taxable Assessed Value

2002	2001	2000	1999	1998	1997	1996
-	-	31,225,230	29,486,290	27,369,120	29,939,510	29,454,810
30,638,830	47,135,040	31,228,970	36,193,760	36,708,390	38,521,880	37,404,200
8,499,420	33,779,360	80,562,770	28,758,370	-	-	-
21,916,170	33,537,390	24,865,540	13,811,850	-	-	-
-	-	10,322,940	-	-	-	-
11,796,340	12,344,980	-	-	-	-	-
-	-	-	-	-	-	-
-	12,431,050	12,476,880	12,437,990	13,122,380	14,231,520	13,888,460
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	11,418,440	11,379,500	-	-	-
57,350,490	51,898,560	56,932,860	73,198,220	65,378,459	65,378,459	50,896,576
7,342,500	-	-	-	-	8,363,770	10,290,030
6,511,390	-	-	-	-	-	-
6,268,350	-	-	-	-	-	-
6,118,700	-	-	-	-	-	-
6,115,150	-	-	-	-	-	-
-	42,574,490	-	-	-	-	-
-	8,735,700	10,602,840	7,828,110	7,478,770	8,322,370	-
-	8,596,160	-	-	-	-	-
-	7,980,950	-	-	-	-	-
-	-	-	-	-	-	12,473,500
-	-	-	-	15,192,644	15,192,644	15,192,644
-	-	-	-	-	15,463,145	8,597,704
-	-	-	-	7,534,420	7,718,580	8,022,150
-	-	-	-	-	-	7,569,030
-	-	-	20,473,290	10,331,340	12,048,620	-
-	-	-	7,485,050	7,485,050	-	-
-	-	-	-	6,955,520	-	-
-	-	11,359,000	-	-	-	-
-	-	-	-	-	-	-
<u>162,557,340</u>	<u>259,013,680</u>	<u>259,033,630</u>	<u>205,265,980</u>	<u>142,578,349</u>	<u>156,435,139</u>	<u>141,934,076</u>
<u>1,486,019,658</u>	<u>1,431,390,429</u>	<u>1,357,264,815</u>	<u>1,245,667,592</u>	<u>1,139,311,600</u>	<u>1,125,520,875</u>	<u>1,086,913,316</u>

(continued)

**Navarro College District**

Principal Taxpayers  
(Continued)

Taxpayer	Type of Business			
		2005	2004	2003
TXU Electric	Electric Company	2.63%	0.00%	0.00%
Guardian Industry	Glass Manufacturer	1.74%	1.62%	3.03%
Russell Stover	Candy Manufacturer	1.57%	1.47%	1.41%
Tru-Serv Corporation- Non-Abated	Retail Distribution	1.30%	1.28%	2.76%
Guardian Industry - Abated	Glass Manufacturer	1.05%	1.10%	0.00%
Pactiv-Foam	Foam Manufacturer	0.83%	0.82%	1.97%
Union Pacific	RR Company	0.75%	0.78%	0.00%
SouthWestern Bell Telephone	Telephone Company	0.66%	0.00%	0.00%
Kohl's Distribution	Retail Distribution	0.65%	0.00%	0.00%
Pactiv-Foam - Abated	Foam Manufacturer	0.43%	0.39%	0.00%
Tru-Serv Corporation- Abated	Retail Distribution	0.00%	0.61%	0.00%
K-Mart Corporation	Retail Distribution	0.00%	0.00%	3.36%
Navarro Regional Hospital	Hospital	0.00%	0.00%	1.02%
Williamhouse of Texas, LLC	Stationary Distribution	0.00%	0.00%	0.78%
Shell Pipeline, Co.	Oil Distribution	0.00%	0.00%	0.76%
Navarro Pecan Company	Pecan Wholesaler	0.00%	0.00%	0.75%
Corsicana Technologies	Chemical Manufacturer	0.00%	0.00%	0.73%
Oncor Electric Delivery	Electric Utility	0.00%	2.48%	0.00%
Mobil Pipeline	Oil Distribution	0.00%	0.00%	0.00%
Equilon Pipeline Company	Oil Distribution	0.00%	0.00%	0.00%
Burlington Northern Santa Fe	Rail Road	0.00%	0.00%	0.00%
Amoco Foam Products Co	Manufacturer	0.00%	0.00%	0.00%
Cotter & Company	Oil Distribution	0.00%	0.00%	0.00%
Venture Stores, Inc. #99	Retail Store	0.00%	0.00%	0.00%
Toms Foods, Inc.	Manufacturer	0.00%	0.00%	0.00%
Hat Brands, Inc.	Manufacturer	0.00%	0.00%	0.00%
Tenneco	Automotive	0.00%	0.00%	0.00%
KRCV, Corp	Banking	0.00%	0.00%	0.00%
General Tel Co. of SW	Telephone Company	0.00%	0.00%	0.00%
AP&P MFG, Inc	Manufacturer	0.00%	0.00%	0.00%
Totals		<u>11.61%</u>	<u>10.54%</u>	<u>16.57%</u>

Source: Navarro County Appraisal District

Percentage of Taxable Assessed Value

2002	2001	2000	1999	1998	1997	1996
0.00%	0.00%	2.30%	2.37%	2.40%	2.66%	2.71%
1.46%	3.10%	2.30%	2.91%	3.22%	3.42%	3.44%
0.40%	2.22%	5.94%	2.31%	0.00%	0.00%	0.00%
1.04%	2.21%	1.83%	1.11%	0.00%	0.00%	0.00%
0.00%	0.00%	0.76%	0.00%	0.00%	0.00%	0.00%
0.56%	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.82%	0.92%	1.00%	1.15%	1.26%	1.28%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.84%	0.91%	0.00%	0.00%	0.00%
2.73%	3.42%	4.19%	5.88%	5.74%	5.81%	4.68%
0.35%	0.00%	0.00%	0.00%	0.00%	0.74%	0.95%
0.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	2.80%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.58%	0.78%	0.63%	0.66%	0.74%	0.00%
0.00%	0.57%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.53%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.15%
0.00%	0.00%	0.00%	0.00%	1.33%	1.35%	1.40%
0.00%	0.00%	0.00%	0.00%	0.00%	1.37%	0.79%
0.00%	0.00%	0.00%	0.00%	0.66%	0.69%	0.74%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.70%
0.00%	0.00%	0.00%	1.64%	0.91%	1.07%	0.00%
0.00%	0.00%	0.00%	0.60%	0.66%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.61%	0.00%	0.00%
0.00%	0.00%	0.84%	0.00%	0.00%	0.00%	0.00%
<u>7.74%</u>	<u>15.38%</u>	<u>19.08%</u>	<u>16.48%</u>	<u>12.51%</u>	<u>13.90%</u>	<u>13.06%</u>

## Navarro College District

### Property Tax Levies and Collections Fiscal Years 2000 to 2006 (Unaudited)

<u>Fiscal Year</u>	<u>Original Levy</u>	<u>Cumulative Levy Adjustments</u>	<u>Total Adjusted Tax Levy</u>
2006	\$ 2,445,735	(11,085)	2,434,651
2005	2,282,942	(2,904)	2,280,038
2004	2,183,412	(794)	2,182,617
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
2000	1,516,856	(2,265)	1,514,591

**Source:** Navarro County Tax Assessor-Collector

**Note:** According to Navarro County Tax Assessor-Collector, only fiscal years 2000 - 2006 are available.

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
2,347,645	96.43%	\$ -	2,347,644.80	96.43%
2,191,308	96.11%	45,476	2,236,784.41	98.10%
2,082,706	95.42%	66,195	2,148,900.98	98.46%
1,920,141	92.11%	127,935	2,048,076.31	98.24%
1,809,594	90.07%	165,992	1,975,585.97	98.33%
1,825,326	95.00%	70,093	1,895,419.24	98.65%
1,438,154	94.95%	60,285	1,498,438.94	98.93%

## Navarro College District

### Ratios of Outstanding Debt by Type Last Ten Fiscal Years (Unaudited)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>General bonded debt</b>				
General obligation bonds	\$ -	-	-	-
<b>Other debt</b>				
Revenue bonds	23,740,000	20,490,000	20,715,000	20,715,000
Notes payable	254,122	448,093	915,863	1,131,727
Capital lease obligations	4,696,384	4,857,779	235,196	381,961
Total other debt	<u>28,690,506</u>	<u>25,795,872</u>	<u>21,866,059</u>	<u>22,228,688</u>
Total outstanding debt	<u>\$ 28,690,506</u>	<u>25,795,872</u>	<u>21,866,059</u>	<u>22,228,688</u>
<b>Total outstanding debt ratios</b>				
Per capita	\$ 591	532	454	469
Per student	2,560	2,413	2,205	2,469
As a percentage of taxable assessed value	1.65%	1.59%	1.41%	1.50%
As a percentage of personal income	2.59%	2.43%	2.15%	2.24%

**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,

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
-	-	-	-	-	-
5,575,496	6,178,871	5,254,971	2,695,000	2,525,000	2,970,000
1,338,398	1,149,462	1,290,400	1,438,057	1,549,661	1,017,521
<u>223,873</u>	<u>302,626</u>	<u>374,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,137,767</u>	<u>7,630,959</u>	<u>6,920,172</u>	<u>4,133,057</u>	<u>4,074,661</u>	<u>3,987,521</u>
<u><u>7,137,767</u></u>	<u><u>7,630,959</u></u>	<u><u>6,920,172</u></u>	<u><u>4,133,057</u></u>	<u><u>4,074,661</u></u>	<u><u>3,987,521</u></u>
153	166	153	93	93	93
903	1,082	1,067	669	673	655
0.50%	0.56%	0.56%	0.36%	0.36%	0.37%
0.74%	0.81%	0.77%	0.48%	0.51%	0.54%

**Navarro College District**

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	2006	2005	2004	2003
Taxable Assessed Value	\$ <u>1,740,732,641</u>	<u>1,624,861,994</u>	<u>1,554,022,861</u>	<u>1,486,019,658</u>
Statutory tax levy limit for debt service	\$ 8,703,663	8,124,310	7,770,114	7,430,098
Current year debt service requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 8,703,663</u>	<u>8,124,310</u>	<u>7,770,114</u>	<u>7,430,098</u>
Net current requirements as a % 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>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<u>1,431,390,429</u>	<u>1,357,264,815</u>	<u>1,245,667,592</u>	<u>1,139,311,600</u>	<u>1,125,520,875</u>	<u>1,086,913,316</u>
7,156,952	6,786,324	6,228,338	5,696,558	5,627,604	5,434,567
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,156,952</u>	<u>6,786,324</u>	<u>6,228,338</u>	<u>5,696,558</u>	<u>5,627,604</u>	<u>5,434,567</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 Revenue (1)	Building Fee Revenue	Out of District Fee Revenue (2)	Other Fees Revenue (2)	Pledged Auxiliary Revenue	Less Auxiliary Expenses
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
2000	120,323	530,523	-	-	4,036,774	2,945,268
1999	114,953	503,030	-	-	3,302,757	2,066,997
1998	114,383	493,887	-	-	2,930,400	2,080,584
1997	114,353	492,022	-	-	2,941,616	2,088,547

**Notes:**

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

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

Net Available	Interest Income	Total	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
6,442,340	263,299	6,705,640	300,000	952,620	1,252,620	5.35
6,514,400	132,811	6,647,211	225,000	957,120	1,182,120	5.62
5,503,672	116,391	5,620,062	-	994,341	994,341	5.65
4,366,460	102,770	4,469,230	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
1,742,352	36,240	1,778,592	535,029	194,499	729,528	2.44
1,853,743	47,388	1,901,131	470,000	147,323	617,323	3.08
1,458,086	49,042	1,507,128	445,000	160,970	605,970	2.49
1,459,443	45,461	1,504,904	415,000	181,098	596,098	2.52

## 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
2005	48,525	\$ 1,108,115,000	\$ 22,836	5.4%
2004	48,215	1,060,397,000	21,993	5.7%
2003	47,386	1,016,509,000	21,452	6.2%
2002	46,799	991,316,000	21,182	6.0%
2001	46,036	966,894,000	21,003	5.4%
2000	45,124	944,452,000	20,930	3.9%
1999	44,440	899,224,000	20,235	N/A
1998	43,682	855,155,000	19,577	N/A
1997	42,852	805,194,000	18,790	N/A
1996	42,702	739,348,000	17,314	N/A

**Source:** Texas Workforce Commission

**Note:** The 2005 personal income amounts are not yet available and were estimated based on 2004.

## Navarro College District

Principal Employers  
Calendar Year 2006  
(Unaudited)

Employer	Number of Employees	Percentage of Total Employment
Corsicana ISD	879	4.22%
Russell Stover Candies	859	4.12%
Navarro College	827	3.97%
Collin Street Bakery	700	3.36%
Navarro Regional Hospital	377	1.81%
Guardian Industries, Corp.	367	1.76%
Texas Youth Council	337	1.62%
City of Corsicana	335	1.61%
Texas Youth Commission	335	1.61%
Navarro County	282	1.35%
Oil City Iron Works	224	1.08%
Williamhouse of Texas	211	1.01%
Kohl's Distribution Center	175	0.84%
Tru-Serve Distribution Center	150	0.72%
Tom's Foods	146	0.70%
Mother of Francis Medical Center	120	0.58%
Total	5,445	26.13%

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

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

## 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
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
2000	8,014,405	6,485	1,236
1999	7,834,241	6,180	1,268
1998	7,572,221	6,055	1,251
1997	6,509,673	6,085	1,070

**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.

Apropriation per Contact Hour

Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
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
1,318,816	659,912	1,978,728	4.05
1,189,000	691,228	1,880,228	4.17
1,147,216	691,330	1,838,546	4.12
1,142,448	724,028	1,866,476	3.49

## Navarro College District

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

		<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Faculty</b>					
	Full-Time	105	100	98	90
	Part-Time	<u>312</u>	<u>309</u>	<u>297</u>	<u>320</u>
	Total	<u><u>417</u></u>	<u><u>409</u></u>	<u><u>395</u></u>	<u><u>410</u></u>
<b>Percent</b>					
	Full-Time	25.2%	24.4%	24.8%	22.0%
	Part-Time	<u>74.8%</u>	<u>75.6%</u>	<u>75.2%</u>	<u>78.0%</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>
<b>Staff and Administrators</b>					
	Full-Time	176	164	156	148
	Part-Time	<u>42</u>	<u>31</u>	<u>31</u>	<u>38</u>
	Total	<u><u>218</u></u>	<u><u>195</u></u>	<u><u>187</u></u>	<u><u>186</u></u>
<b>Percent</b>					
	Full-Time	80.7%	84.1%	83.4%	79.6%
	Part-Time	<u>19.3%</u>	<u>15.9%</u>	<u>16.6%</u>	<u>20.4%</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	\$	45,427	42,623	42,027	41,526

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
75	NA	80	NA	83	NA
<u>213</u>	<u>NA</u>	<u>154</u>	<u>NA</u>	<u>124</u>	<u>NA</u>
<u>288</u>	<u>NA</u>	<u>234</u>	<u>NA</u>	<u>207</u>	<u>NA</u>
26.0%	NA	34.2%	NA	40.1%	NA
<u>74.0%</u>	<u>NA</u>	<u>65.8%</u>	<u>NA</u>	<u>59.9%</u>	<u>NA</u>
<u>100.0%</u>	<u>NA</u>	<u>100.0%</u>	<u>NA</u>	<u>100.0%</u>	<u>NA</u>
112	NA	129	NA	122	NA
<u>11</u>	<u>NA</u>	<u>11</u>	<u>NA</u>	<u>45</u>	<u>NA</u>
<u>123</u>	<u>NA</u>	<u>140</u>	<u>NA</u>	<u>167</u>	<u>NA</u>
91.1%	NA	92.1%	NA	73.1%	NA
<u>8.9%</u>	<u>NA</u>	<u>7.9%</u>	<u>NA</u>	<u>26.9%</u>	<u>NA</u>
<u>100.0%</u>	<u>NA</u>	<u>100.0%</u>	<u>NA</u>	<u>100.0%</u>	<u>NA</u>
NA	NA	38,292	36,443	36,636	33,955

## Navarro College District

### Enrollment Details Last Five Fiscal Years (Unaudited)

<u>Student Classification</u>	<u>Fall 2005</u>		<u>Fall 2004</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
00-30 hours	5,204	80.67%	4,508	74.90%
31-60 hours	764	11.84%	1,011	16.80%
> 60 hours	483	7.49%	500	8.31%
<b>Total</b>	<u><u>6,451</u></u>	<u><u>100.00%</u></u>	<u><u>6,019</u></u>	<u><u>100.00%</u></u>
<u>Semester Hour Load</u>				
Less than 3	27	0.42%	28	0.47%
3-5 semester hours	1,214	18.82%	1,158	19.24%
6-8 semester hours	1,131	17.53%	1,009	16.76%
9-11 semester hours	737	11.42%	551	9.15%
12-14 semester hours	2,076	32.18%	1,901	31.58%
15-17 semester hours	980	15.19%	1,055	17.53%
18 & over	286	4.43%	317	5.27%
<b>Total</b>	<u><u>6,451</u></u>	<u><u>100.00%</u></u>	<u><u>6,019</u></u>	<u><u>100.00%</u></u>
<u>Tuition Status</u>				
Texas Resident (in-District)	1,348	20.90%	1,273	21.15%
Texas Resident (out-of-District)	4,791	74.27%	4,424	73.50%
Non-Resident Tuition	312	4.84%	322	5.35%
<b>Total</b>	<u><u>6,451</u></u>	<u><u>100.00%</u></u>	<u><u>6,019</u></u>	<u><u>100.00%</u></u>

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

Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent
4,292	76.59%	4,099	80.18%	3,655	82.86%
925	16.51%	1,010	19.76%	755	17.12%
387	6.91%	3	0.06%	1	0.02%
<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
65	1.16%	24	0.47%	28	0.63%
1,096	19.56%	1,007	19.70%	818	18.54%
848	15.13%	759	14.85%	659	14.94%
540	9.64%	456	8.92%	390	8.84%
1,855	33.10%	1,632	31.92%	1,333	30.22%
912	16.27%	883	17.27%	835	18.93%
288	5.14%	351	6.87%	348	7.89%
<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
1,272	22.70%	1,213	23.73%	1,042	23.62%
3,932	70.16%	3,418	66.86%	2,888	65.47%
400	7.14%	481	9.41%	481	10.90%
<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 Five Fiscal Years (Unaudited)

	Fall 2005		Fall 2004	
	Number	Percent	Number	Percent
<b>Gender</b>				
Female	4,006	62.10%	3,776	62.73%
Male	2,445	37.90%	2,243	37.27%
Total	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
<b>Ethnic Origin</b>				
White	4,170	64.64%	3,906	64.89%
Hispanic	701	10.87%	612	10.17%
African American	1,295	20.07%	1,195	19.85%
Asian	48	0.74%	42	0.70%
Foreign	204	3.16%	239	3.97%
Native American	33	0.51%	25	0.42%
Other	0	0.00%	0	0.00%
Total	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
<b>Age</b>				
Under 18	1,029	15.95%	1,035	17.20%
18 - 21	2,939	45.56%	2,656	44.13%
22 - 24	668	10.35%	618	10.27%
25 - 35	1,091	16.91%	1,019	16.93%
36 - 50	617	9.56%	577	9.59%
51 & over	107	1.66%	114	1.89%
Total	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
<b>Average Age</b>	24		24	

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

Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent
3,464	61.81%	3,072	60.09%	2,545	57.70%
2,140	38.19%	2,040	39.91%	1,866	42.30%
<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
3,625	64.69%	3,265	63.87%	2,829	64.14%
535	9.55%	454	8.88%	343	7.78%
1,074	19.16%	959	18.76%	784	17.77%
43	0.77%	32	0.63%	26	0.59%
302	5.39%	388	7.59%	408	9.25%
25	0.45%	14	0.27%	21	0.48%
0	0.00%	0	0.00%	0	0.00%
<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
842	15.02%	695	13.60%	656	14.87%
2,599	46.38%	2,470	48.32%	2,217	50.26%
558	9.96%	494	9.66%	411	9.32%
955	17.04%	821	16.06%	607	13.76%
546	9.74%	539	10.54%	447	10.13%
104	1.86%	93	1.82%	73	1.65%
<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>

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## Navarro College District

Student Transfers to Senior Institutions  
2003-2004 Graduate as of Fall 2004  
(Includes only public senior colleges in Texas)  
(Unaudited)

Name	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	11	0	1	12	1.09%
2 Lamar University	6	1	0	7	0.59%
3 Midwestern State University	4	0	0	4	0.39%
4 Prairie View A&M University	8	2	1	11	0.79%
5 Sam Houston State University	77	6	1	84	7.60%
6 Stephen F. Austin State University	53	0	1	54	5.23%
7 Tarleton State University	49	3	1	53	4.84%
8 Texas A&M University	151	5	3	159	14.91%
9 Texas A&M University at Commerce	230	6	3	239	22.70%
10 Texas A&M University at Corpus Christi	6	1	0	7	0.59%
11 Texas A&M University at Galveston	3	0	0	3	0.30%
12 Texas A&M University at Kingsville	2	0	0	2	0.20%
13 Texas Southern University	9	0	0	9	0.89%
14 Texas State University	42	1	0	43	4.15%
15 Texas Tech University	54	0	0	54	5.33%
16 Texas Woman's University	14	5	0	19	1.38%
17 The University of Texas - Pan American	2	0	0	2	0.20%
18 The University of Texas at Arlington	106	1	2	109	10.46%
19 The University of Texas at Austin	41	1	1	43	4.05%
20 The University of Texas at Dallas	11	0	0	11	1.09%
21 The University of Texas at San Antonio	5	0	0	5	0.49%
22 The University of Texas at Tyler	39	6	2	47	3.85%
23 University of Houston	3	0	0	3	0.30%
24 University of Houston - Downtown	1	0	0	1	0.10%
25 University of North Texas	84	3	0	87	8.29%
26 West Texas A&M University	2	0	0	2	0.20%
Totals	<u>1,013</u>	<u>41</u>	<u>16</u>	<u>1,070</u>	<u>100.00%</u>

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

**Navarro College District**

Capital Asset Information  
Fiscal Years 2002 to 2006  
(Unaudited)

	Fiscal Year				
	2006	2005	2004	2003	2002
<b>Academic buildings</b>	10	10	9	9	9
Square footage (in thousands)	228,522	209,446	199,990	201,632	187,632
<b>Libraries</b>	1	1	1	1	1
Square footage (in thousands)	28,000	34,920	34,920	34,920	43,412
Number of Volumes (in thousands)	65,000	64,000	63,000	62,000	61,000
<b>Administrative and support buildings</b>	2	1	1	1	1
Square footage (in thousands)	90,897	55,977	55,977	55,686	55,686
<b>Dormitories/Apartments</b>	21	20	19	19	18
Square footage (in thousands)	145,422	139,602	12,674	141,992	128,922
Number of Beds	815	783	719	687	623
<b>Dining Facilities</b>	1	1	1	1	1
Square footage (in thousands)	22,100	19,076	19,076	19,400	19,400
Average daily customers	861	827	759	725	657
<b>Athletic Facilities</b>	5	5	5	5	5
Square footage (in thousands)	66,416	66,416	66,416	67,944	67,944
Gymnasiums/Weight Room	2	2	2	2	2
Tennis Court	3	3	3	3	3
<b>Physical Plant Facilities</b>	1	1	1	1	1
Square footage (in thousands)	9,492	9,492	9,492	10,994	10,994
<b>Transportation</b>	34	34	31	27	27
Cars	4	5	5	3	3
Light Trucks/Vans	27	26	23	24	24
Buses	3	3	3	0	0

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



**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, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2006. 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. We did not audit the financial statements of Navarro College Foundation, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Navarro College Foundation (the Foundation), was based solely on the report of the other auditors. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

### Internal Control Over Financial Reporting (continued)

employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of Navarro College District in a separate letter dated November 8, 2006.

### Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, 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 & Threlkett, A.C.*

November 8, 2006



Report on Compliance with Requirements  
Applicable to Each Major Federal and State Program and  
Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Trustees  
Navarro College District:

Compliance

We have audited the compliance of Navarro College District (the District) 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 are applicable to each of its major federal and state programs for the year ended August 31, 2006. 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 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 requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with *OMB Circular A-133* and the *Uniform Grant Management Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2006-2 and 2006-3.

## Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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* and the *Uniform Grant Management Standards*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal or state program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-2 and 2006-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management, 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.*

November 8, 2006

**Navarro College District**

Schedule of Findings and Questioned Costs

Year Ended August 31, 2006

(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
- Reportable condition(s) identified that are not considered to be material weaknesses?   x   yes      \_\_\_\_\_ 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
- Reportable condition(s) identified that are not considered to be material weaknesses?   x   yes      \_\_\_\_\_ none reported

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

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

***State Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ 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 Uniform Grant Management Standards? \_\_\_\_\_ yes        x   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
84.002A	Adult Basic Education

Identification of major state programs:

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

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

\$308,451

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

\$300,000

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

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

## Navarro College District

### Schedule of Findings and Questioned Costs (Continued)

#### (2) Financial Statement Findings

##### *Finding 2006-1: Improving General Ledger Reconciliation*

We noted that the District does not reconcile general ledger balance sheet account balances, such as accounts receivable, accounts payable and capital assets. This resulted in audit adjustments to reconcile differences and to record the actual year-end balances for several general ledger accounts. Without the performance of periodic account reconciliations, information provided to management may not be accurate, thereby affecting management decisions. Furthermore, the probability that additional errors could occur and go undetected for a long time is greatly increased.

We recommend the District adopt a policy requiring monthly reconciliation of significant balance sheet accounts. Balance sheet account reconciliations quickly identify errors and needed corrections. The District may find it helpful to develop a monthly closing checklist that indicates who will perform each reconciliation or other closing procedure, and when completion of each is due. Finally, remember all reconciliations should be reviewed by a designated individual person to ensure accuracy and completeness and to verify that reconciled items have been properly handled.

##### *Finding 2006-2: Student Status Changes*

#### CFDA No. 84.032 – Family Educational Loan Program

Federal financial aid guidelines require that student status changes (i.e. withdrawal from the institution, drops in classes, etc.) be reported to the National Student Loan Data System (NSLDS) within 30 days or be included in a response to a Roster File within 60 days. We selected a sample of 40 students with status changes during the year, and noted 19 instances in which the student status change was not submitted to the NSLDS within the required time period under the guidelines.

We recommend the Registrar's Office identify the deficiencies in the electronic file submission procedures and implement procedural changes to ensure that the correct data file is created for timely submission to the NSLDS. Additionally, we suggest the Registrar's Office design and implement control procedures to verify that student schedule changes are properly reflected in the electronic file.

## Navarro College District

### Schedule of Findings and Questioned Costs (Continued)

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

##### *Finding 2006-3: Refund of Title IV Funds*

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

Title IV refunds of financial aid are required to be calculated and returned to the U.S. Department of Education within 30 days. We selected a sample of 40 students and noted two instances in which the Title IV refund was not made in a timely manner. We understand that these instances occurred because the student's drop slip was not posted by the Registrar's Office in a timely manner.

To improve compliance in these areas, we suggest that the Registrar's Office review its standard policies and procedures to ensure proper documentation and timely posting of changes in class schedules for students. All changes to student schedules should be properly documented in writing and posted to the system daily. Implementation of these policies and procedures should reduce the risk of errors or backlogs in processing at the Registrar's Office, which can directly impact compliance with federal financial aid guidelines.

**Navarro College District**  
Summary Schedule of Prior Audit Findings  
August 31, 2006

None

**Navarro College District**

Corrective Action Plan

August 31, 2006

**Finding 2006-1:**

*Contact person(s) responsible for correction action:* Brenda A. Duncan, Business Manager

*Corrective action planned:* The District plans further investigation to more efficiently use the administrative software and to establish reconciliation processes at least quarterly. If needed, consultant/training time will be scheduled with Datatel, the software provider, to further train staff in order to maximize utilization of the software.

*Anticipated completion date:* July 2007

**Finding 2006-2:**

*Contact person(s) responsible for correction action:* Judith M. Cutting, Registrar

*Corrective action planned:* As soon as the issue was discovered, Datatel Technical Support was contacted for a review of the process in place. Instructions for creating the report have been updated accordingly. A step has been added to the reporting process to verify the accuracy of the data. After the report is created, hours are checked for five students who dropped since the last report was created before submission to the NSLC.

*Anticipated completion date:* November 2006

**Navarro College District**

Corrective Action Plan  
(Continued)

**Finding 2006-3:**

*Contact person(s) responsible for correction action:* Judith M. Cutting, Registrar

*Corrective action planned:* Registrar office staff who enter student schedule changes at off-site campuses will be given a reminder about the process in place, including but not limited to, obtaining proper documentation and processing each schedule change (drop/withdrawal) as it is received. Deans and Assistant Deans will be urged to educate faculty on the importance of complying with the request to report students who have never attended – or who have ceased attending – in a timely manner.

*Anticipated completion date:* January 2007