

Navarro College District
Corsicana, Texas
Comprehensive Annual Financial Report
Years Ended August 31, 2008 and 2007



Prepared by:
Navarro College District
Finance Department



Navarro College District

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Introductory Section





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December 2, 2008

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

The following comprehensive annual financial report of Navarro College (the District) for fiscal year ended August 31, 2008 is hereby submitted.

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

Jaynes, Reitmeier, Boyd & Therrell, P.C., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the District’s financial statements for the years ended August 31, 2008 and 2007. The independent auditors’ report is located at the front of the financial section of this report.

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

PROFILE OF THE DISTRICT

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

The Board has the final authority to determine and interpret the policies that govern the District and has complete and full control of the District's activities limited only by the State legislature, the courts, and the will of the people as expressed in Board of Trustee elections. Official Board action is taken only in meetings that comply with the Open Meetings Act and 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 the District's role and mission. Besides general Board business, trustees are charged with numerous statutory regulations, including ordering elections and issuing bonds. The Board is also responsible for appointing the President, setting the tax rate, causing the preparation and adoption of the budget for the ensuing fiscal year, and employing faculty and other employees of the District.

LOCAL ECONOMY AND OUTLOOK

The District is well positioned for growth due to its geographical location between Dallas and Houston on Interstate 45 and between Waco and Tyler on State Highway 31. Student enrollment and student contact hour growth continue to be a main focus of the District. Fall 2007 semester credit enrollment at the District grew by 154 students to 7,560 students on census date, an increase of 2.1% over fall 2006.

Navarro County's (the taxing district) economy is based on manufacturing, agriculture, and mineral production. Agricultural income is derived from beef cattle, dairy cattle, horses, cotton and grain. Minerals produced in the county include oil, gas, sand, and gravel. Growth in the county has been stable as evidenced by a \$208 million (9%) increase in the assessed value of the District during the past fiscal year.

The District began offering an Oil and Gas Production Technology Certificate program in spring 2008. Associate sponsors of the program are EnCana and XTO, leaders in the oil and gas production industry. These sponsors have provided equipment for the program and over \$100,000 in scholarships and equipment funds. These companies will interview graduates of the program for positions in their companies. At present, the program is operating at capacity with over 60 students enrolled. The District was successful in receiving a Department of Labor grant of \$2.4 million which will supplement and enhance this program. North Central Texas College is participating with the District in this program.

The Downtown R.O.S.E. Association, Inc. is dedicated to the enhancement of the downtown central business district in the city of Corsicana. Two Doors Down Coffee House opened downtown near The Palace Theatre. Black Jack McCanless Steakhouse and Saloon opened this past year in downtown Corsicana and draws many visitors to the downtown area. Office Depot is scheduled to open a 20,919 square foot store in Corsicana on December 24, 2008. The store will employ approximately 25 full and part-time associates. Office Depot, Inc. was founded in 1986 and is one of the world's largest sellers of office products. Navarro Regional Hospital opened a new 41,000 square foot professional office building this past year, attracting several new doctors to the area.

Several restaurants and hotels, including La Quinta and Hampton Inn & Suites, have been built at the I-45/I-287 intersection in Corsicana. A new Taco Bell opened in the area, and there are

plans to build a Denny’s Restaurant at the intersection. The developer has plans to build streets connecting the restaurant with the hotels already there.

The top employers in Navarro County are:

Employer	Industry	Number of Employees
Navarro College	Education	946
Russell Stover Candies	Candy Manufacturing	825
Corsicana Independent School District	Government/Education	802
Collin Street Bakery	Food	766
Guardian Industries	Glass Manufacturing	390
Navarro Regional Hospital	Hospital	350
Texas Youth Commission	Government/State Home	338
City of Corsicana	Government/City	304
Navarro County	Government/County	284
Home Depot Distribution Center	Building Materials	250
Kohl’s Call Center	Call Center/Retail	250
Kohl’s Distribution Center	Warehousing/Retail	200
Oil City Iron Works	Castings	200
Corsicana Bedding	Bedding	190
Lance Manufacturing, LLC	Manufacturing/SnackFoods	170
Trinity Mother Francis	Health Care	156
Tru-Serve/True Value Distribution Center	Distribution/Hardware	152
JELD-WEN, Inc.	Windows and Doors	135
Northrup Grumman Information Technology	Information Technology	60
EXXON/Mobil Pipeline	Pipeline	55
Firestone Building Products	Roofing Materials	35

(A number of employers include full-time and part-time employees.)

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

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

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.

Ellis County, a major part of our service area, continues to grow dramatically. The 2008 estimated population of Waxahachie is 26,918 and of Ellis County is 142,270.

Ellis County has a diverse employment and manufacturing base. New businesses to the area include Lowe's Home Improvement Center, Target, Belks, Kohls, and several new restaurants and hotels.

Major Employers for the Ellis County Region are:

Walgreen Company
Tyler Refrigeration
Owens-Corning, Inc.
Dart Container Corporation
International Extrusion
Better Bath Company
U.S. Aluminum
Raco-Altura Mfg.
Rock-Tenn
A.E.P. Industries
Cardinal CG
Seville Industries
Saint-Gobain Containers
Georgia Pacific
Lofland Company
MagnaBlend
Lifelike Products, Inc.
The Martin Company
James Hardie
National Freight, Inc.

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.

ACHIEVEMENTS

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:

Forty-six faculty members are NISOD (National Institute for Staff and Organization Development) excellence award recipients since 1991.

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

The Accounting Staff of the District was again honored by the Government Finance Officers Association (GFOA) with its highest praise: the Certificate of Achievement for Excellence in Financial Reporting for seven consecutive years, 2001 through 2007. 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 at Commerce - Navarro College Partnership continues to receive recognition as an outstanding program with emphasis on teacher education. This partnership has grown from 63 students in the Fall of 1999 to 618 students in Fall 2008 on both the Corsicana and Midlothian Campuses. The partnership has produced 934 graduates with 761 in education, 77 BAAS, 31 in Criminal Justice and 65 Master's degrees conferred.

The District offers a large and competitive intercollegiate athletic program including baseball, basketball, cheerleading, football, soccer, softball and volleyball. The basketball team won the 2007-08 Region XIV Championship, with Coach Lewis Orr finishing his career with 678 NJCAA victories. The baseball team was ranked #4 in the final NJCAA poll for 2007-08. The soccer team won the NJCAA District Championship and had 6 players named All-Region and 2 players named All-American. The softball team had 3 players named All-Region. The football program has won 13 conference championships and won the National Championship in 1989 and the Pilgrim's Pride Bowl in 2007. The 2007 football team had 5 players named All-Conference, 3 players named NJCAA All-American, 1 player named as the SWJCFC Defensive MVP, and the head football coach was named the 2007 SWJCFC Coach of the Year. Academics are stressed by Navarro College administration and the coaching staff. Success is evidenced by having 16 athletes named to the Region XIV Athletic Conference All-Academic Team and 4 players named as Academic All-Americans. The soccer, volleyball, and baseball teams earned recognition as 2007-08 NJCAA Fall Academic Teams of the Year.

MAJOR INITIATIVES

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.
- Increasing internet course delivery. Internet instruction accounts for 17% 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:

- Continuing to upgrade technology to increase the bandwidth on campus to 50mb for the support of technology and the upgrade of the administrative computing system to Release 18. A Gigaman line was also added between Waxahachie and Corsicana.
- Providing wireless internet service on all four campuses with the necessary firewall infrastructure to protect the integrity of the data.
- Providing Blackboard based delivery system for on-line instruction using newly upgraded Version 7.
- Continuing to upgrade safety measures including placing defibrillators on all campuses and 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 and establishing a bicycle patrol for the Corsicana campus.
- Purchased an outdoor warning system for the Corsicana Campus to notify students and staff in the event of an emergency on campus. This system features a 40 foot antenna with speakers. In addition, the college purchased “Blackboard Connect”, a computer software system that will notify students and staff on all four campuses in the event of an emergency. Notification will be made by telephone, email and text messaging.
- Develop and implement a backup system that allows periodic backup of all electronic information.

The District continues to support an active student life program to provide students with opportunities to cultivate close associations with fellow students, faculty, and staff. The District has 28 campus clubs and organizations. These organizations are expanding to include the other three campuses as well. A record number of students participated in intramurals this past year, especially in the areas of football and basketball.

Construction and Expansion Projects:

After five years of extensive building and renovations on all four campuses, construction has slowed. During fiscal year 2008, the major focus was the renovation of the original building on the Waxahachie Campus. This renovation included the refurbishing of administrative offices and the expansion of the College Store and Beau’s Place. On the Corsicana Campus, work started on a 5,000 sq. ft. expansion of Gibson Hall for a new weight room. The current weight room will be remodeled to expand the existing game room.

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 \$27 million in awards was processed in fiscal year 2008. 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 college 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 the Ellis County Manufacturing Consortium 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 the 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 College and surrounding 31 independent school districts serving over 40,000 students.
- Also located in the Cook Center are the Pearce Civil War Collection and the Pearce Western Art Collection. This facility attracts Elderhostel programs to the District 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 15,000 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 “Opening Doors to Success” program continues to assist in identifying students with potential to succeed, but not enrolling in college for a variety of reasons. This program provides individualized counseling attention and financial assistance to qualifying students.
- The District cooperative agreement with John Deere continues to attract students from across Texas and neighboring states pursuing a degree in agriculture mechanization technology.

- Fire and police academies help to provide trained applicants for these high demand service professions. Continuing education classes are also offered in these areas to assist in meeting certification update requirements.
- A very active health occupations curriculum helps to train students to meet staffing needs in areas such as nursing, medical lab technology and occupational therapy. Nurse aid training programs in the high schools also help to provide trained staff as well as the continuing education programs for training and recertification programs.

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 requires estimates and judgments by management.

As a recipient of federal, state, and local financial awards, the District is also responsible for providing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic review and evaluation by management, internal audit, and the independent auditors of Navarro College District. As a part of the District's single audit, tests are conducted to determine the adequacy of the internal control structure, including that portion related to federal and state financial award programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2008, provided no instances of material weakness in the internal control structure.

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

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

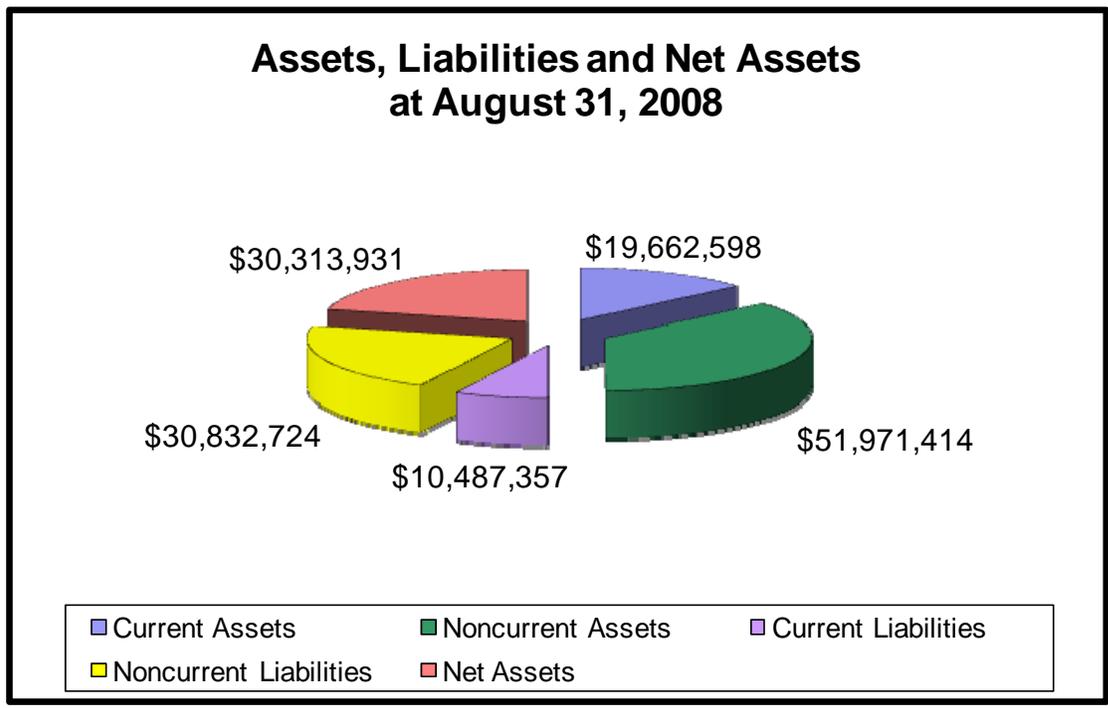
to refund the College's outstanding bonds in order to lower and restructure the District's annual debt service and reconstitute pledged revenues and pay costs associated with the issuance, including a surety bond. The balance of the proceeds has funded construction, renovation and equipping of buildings 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. In May 2007, the District issued an additional \$3,550,000 in debt with Series 2007 Revenue Bonds. Proceeds from these bonds were utilized to partially fund the construction of two buildings on the Waxahachie Campus and the construction of a 32 bed residence hall on the Corsicana Campus.

Statement of Net Assets

The Statement of Net Assets is divided into three sections: Assets (current and non-current), Liabilities (current and non-current), and Net Assets (invested in capital, restricted and unrestricted). The footnotes to the financial statements discuss the difference between current and non-current. The District has elected to follow the recommendations of the Texas Higher Education Coordinating Board and present the Statement of Net Assets in the balance sheet format.

Total cash and investments for August 31, 2008 were \$15,033,552, compared to \$15,566,416 at August 31, 2007.

Total liabilities decreased from \$42,239,940 at August 31, 2007 to \$41,320,081 at August 31, 2008. The major factor contributing to the decrease in liabilities was the scheduled payments of the Revenue Bond Series and the payment on a note payable related to the Waxahachie Campus.



Net assets are divided into three sections: Invested in capital assets, net of debt; restricted net assets and unrestricted net assets. Total net assets increased from \$29,638,252 at August 31, 2007 to \$30,313,931 at August 31, 2008.

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 includes five sections: operating revenues, non-operating revenues, operating expenses, non-operating expenses, and other revenues (expenses) and 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 \$6,125,581 representing a 14.3% increase over the prior year. Auxiliary enterprise charges, net of discounts, are \$4,958,164 at August 31, 2008, which reflects a 7.5% increase from the prior year due to the increased number of students served.

State appropriations increased by \$666,444 to \$14,443,224 due to enrollment increases.

Statement of Cash Flows

The Statement of Cash Flows is a statement for Navarro College 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 \$14,683,552 in cash and equivalents at the end of fiscal year 2008 compared to \$11,552,416 at the end of fiscal year 2007. The increase in cash is due to the liquidation of long-term governmental securities and an increase in state appropriation.

Debt Administration

As of August 31, 2008, the District had \$25,775,000 of revenue bonds outstanding, which represents the cumulative total of the Consolidated Fund Revenue and Refunding Bonds, Series 2003, Series 2006 and Series 2007 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. The 2007 bonds partially funded the construction of the buildings on the Waxahachie Campus and a new residence hall 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 3.92 percent. The District earned interest revenue of \$456,823 on all investments for the year ended August 31, 2008, and \$620,102 for the year ended August 31,

2007. 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.

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.

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, 2007. This was the seventh 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,



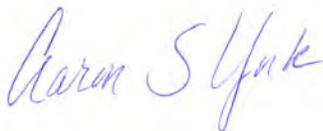
Darrell R. Raines, CPA
Vice President for Finance and Administration



Gertrud Moreno, CPA
Vice President (Elect) for Finance and Administration

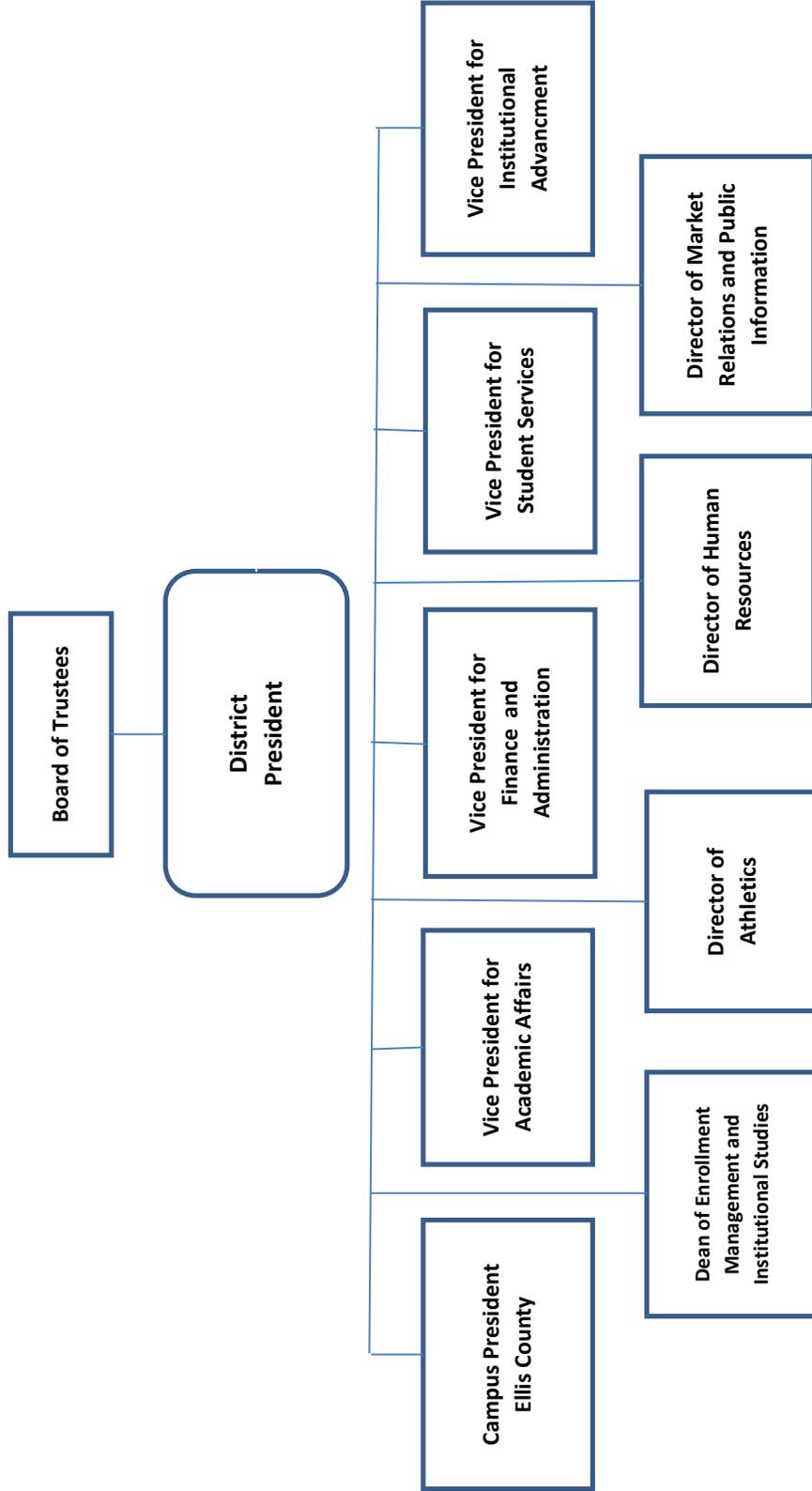


Brenda A. Duncan, CPS
Business Manager

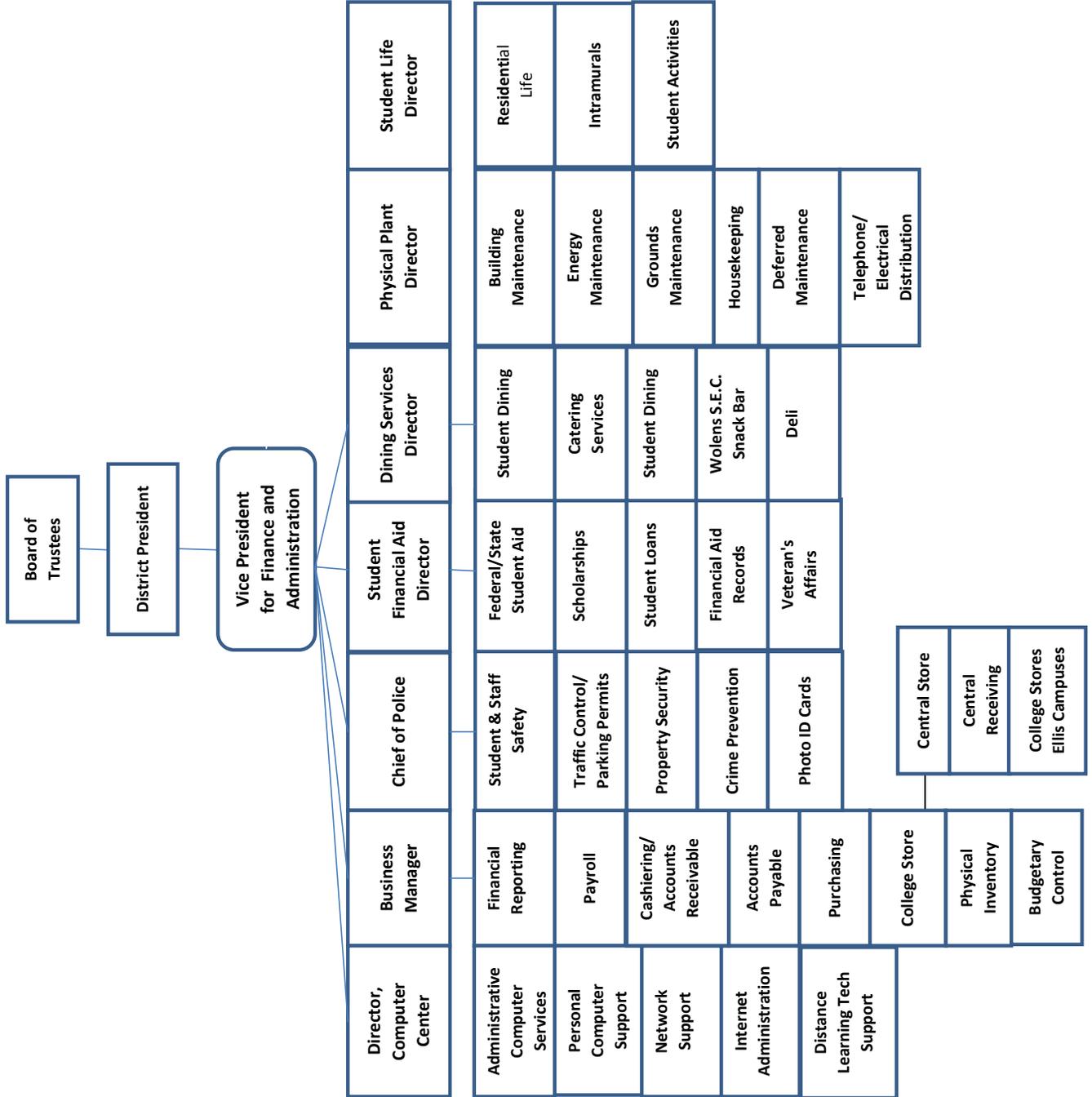


Aaron York, CPA
Business Manager (Elect)

**NAVARRO COLLEGE
Organization Chart
District President**



NAVARRO COLLEGE
Organization Chart
Vice President for Finance and Administration



Navarro College

**Principal Officials
For the Year Ending August 31, 2008**

Board of Trustees

Officers

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

Members

Term Expires

James E. Borkchum	Corsicana, Texas	2013
Lloyd D. Huffman	Corsicana, Texas	2011
Billy Todd McGraw	Blooming Grove, Texas	2013
James G. Price, D.D.S.	Corsicana, Texas	2013
Zane Stites	Corsicana, Texas	2009
Phil Judson	Corsicana, Texas	2011
Homer G. Wasson	Kerens, Texas	2009

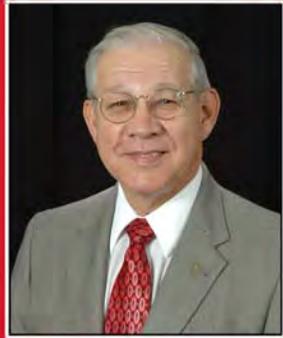
Executive Officers

Richard M. Sanchez, Ed.D.	District President
Harold Nolte, Ed.D	President, Ellis County Campuses
Kenneth Martin, Ed.D	Vice President for Academic Affairs
Darrell. R. Raines, CPA	Vice President for Finance and Administration
Gertrud Moreno, CPA	Vice President Elect for Finance and Administration
G. Erik Zoellner, Ed.D	Vice President for Student Services

Business Officers

Darrell R. Raines, CPA	Vice President for Finance and Administration
Gertrud Moreno, CPA	Vice President Elect for Finance and Administration
Brenda A. Duncan, CPS	Business Manager
Aaron York, CPA	Business Manager Elect

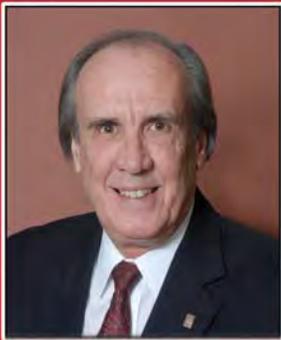
**Navarro College
Board of Trustees
2007 - 2008**



Dr. Richard Sanchez
District President



Homer G. Wasson
Chairman
At Large



Lloyd D. Huffman
Vice Chairman
At Large



Dr. James G. Price
Secretary/Treasurer
District 3



James E. Borkchum Jr.
District 2



Todd McGraw
At Large



Zane C. Stites
District 4



Phil Judson
District 1

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, 2007

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.



A handwritten signature in black ink, appearing to read "K. L. R. T.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written in a cursive style.

Executive Director



Financial Section





Independent Auditors' Report

The Board of Trustees
Navarro College District:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Navarro College District (the District) as of and for the years ended August 31, 2008 and 2007, 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*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Navarro College District as of August 31, 2008 and 2007, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, 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 11 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on pages 43 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards on pages 47 through 53 are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *Uniform Grant Management Standard*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical section on pages 57 through 94 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, Reitzmeier, Boyd & Therrell, P.C.

December 2, 2008

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, 2008. 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.

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. The District has elected to follow the recommendation of the Texas Higher Education Coordinating Board to present the Statement of Net Assets in the balance sheet format. 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
August 31,**

		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>Amount of Change 2007 to 2008</u>	<u>% of Change 2007 to 2008</u>
Assets						
Current assets	\$	19,662,598	19,905,419	18,747,362	(242,821)	(1.22%)
Capital assets		51,580,996	51,562,340	46,978,796	18,656	0.04%
Other operating revenues		<u>390,418</u>	<u>410,433</u>	<u>1,088,137</u>	<u>(20,015)</u>	(4.88%)
Total assets	\$	<u><u>71,634,012</u></u>	<u><u>71,878,192</u></u>	<u><u>66,814,295</u></u>	<u><u>(244,180)</u></u>	(0.34%)
Liabilities						
Current liabilities	\$	10,487,357	10,529,235	8,377,352	(41,878)	(0.40%)
Noncurrent liabilities		<u>30,832,724</u>	<u>31,710,705</u>	<u>29,239,899</u>	<u>(877,981)</u>	(2.77%)
Total liabilities		<u><u>41,320,081</u></u>	<u><u>42,239,940</u></u>	<u><u>37,617,251</u></u>	<u><u>(919,859)</u></u>	(2.18%)

Navarro College District
Statement of Net Assets
(Continued)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	Amount of Change 2007 to 2008	% of Change 2007 to 2008
Net assets					
Invested in capital assets, net of debt	\$ 21,529,891	20,425,989	21,532,452	1,103,902	5.40%
Restricted - expendable	3,371,239	3,344,836	3,270,450	26,403	0.79%
Unrestricted	<u>5,412,801</u>	<u>5,867,427</u>	<u>4,394,142</u>	<u>(454,626)</u>	<u>(7.75%)</u>
Total net assets	<u>30,313,931</u>	<u>29,638,252</u>	<u>29,197,044</u>	<u>675,679</u>	<u>2.28%</u>
Total net assets and liabilities	<u>\$ 71,634,012</u>	<u>71,878,192</u>	<u>66,814,295</u>	<u>(244,180)</u>	<u>(0.34%)</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.

Financial Analysis from 2007 to 2008

Current assets decreased by 1.2% due to a decrease in long-term investments and a reduction in inventories. Market fluctuations and lower interest rates required management to shift its long-term investments into more liquid, short-term investments. Increased bond principal and interest payments also required a reduction in cash.

Capital asset cost increased \$1.4 million (before depreciation). The increase was largely due to the completion of the 20,000 square foot Classroom Building on the Waxahachie campus and the construction in progress on the Gibson Hall addition.

Total liabilities decreased to \$41,320,081 from \$42,239,940 for a decrease of \$919,859. This decrease was due to the scheduled payments of the Revenue Bonds series and the invoices associated with the construction projects.

In summary, the total net assets of the District grew by \$675,679 to a total of \$30,313,931 at August 31, 2008.

Financial Analysis from 2006 to 2007

Current assets increased by 6.18% due to increased investments and cash from increases in the fund balance in current funds from fiscal year 2007 operations and the proceeds from the sale of the 2007 revenue bonds.

Capital assets increased \$4.6 million net of depreciation with the addition of a 32-bed residence hall (\$580,000) on the Corsicana Campus, a 20,000 square foot Classroom Building (\$4,170,000) and Fire Academy/Continuing Education Building (\$1,184,000) both on the Waxahachie Campus.

Total liabilities increased to \$42,239,940 from \$37,617,251 for an increase of \$4,622,689. This increase was due to the issuance of \$3,550,000 in new debt (2007 Revenue Bonds) in May 2007 and the increase in accounts payable of \$1,206,000 associated with the construction of additional buildings on the Waxahachie Campus.

In summary, the total net assets of the District grew by \$441,208 to a total of \$29,638,252 at August 31, 2007.

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 non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

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

**Statement of Revenues, Expenses, and Changes in Net Assets
August 31,**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	Amount of Change 2007 to 2008	% of Change 2007 to 2008
Operating revenues					
Tuition and fees	\$ 6,125,581	5,361,391 (a)	5,522,555	764,190	14.25%
Grants and contracts	12,219,000	10,498,075	10,632,053	1,720,925	16.39%
Sales and services	5,317,110	4,938,210 (a)	4,391,090	378,900	7.67%
Other operating revenues	98,376	177,827	226,393	(79,451)	(44.68%)
Total operating revenues	<u>23,760,067</u>	<u>20,975,503</u>	<u>20,772,091</u>	<u>2,784,564</u>	13.28%

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>Amount of Change 2007 to 2008</u>	<u>% of Change 2007 to 2008</u>
Non-operating revenues					
State all locations	\$ 14,443,224	13,776,780	13,991,286	666,444	4.84%
Maintenance ad valorem taxes	2,686,447	2,699,632	2,483,723	(13,185)	(0.49%)
Gifts	793,110	607,580	608,458	185,530	30.54%
Investment income	456,823	620,102	481,994	(163,279)	(26.33%)
Other non-operating revenues	38,049	8,350	56,748	29,699	355.68%
Gain on disposition of capital assets	-	-	484,375	-	0.00%
Total non-operating revenues	<u>18,417,653</u>	<u>17,712,444</u>	<u>18,106,584</u>	<u>705,209</u>	3.98%
Total revenues	<u>42,177,720</u>	<u>38,687,947</u>	<u>38,878,675</u>	<u>3,489,773</u>	9.02%
Operating expenses					
Instruction	14,955,025	13,753,775	13,296,066	1,201,250	8.73%
Public service	157,488	125,816	135,365	31,672	25.17%
Academic support	2,800,470	2,768,153	3,101,135	32,317	1.17%
Student services	2,693,937	2,369,268	2,294,807	324,669	13.70%
Institutional support	4,227,103	4,237,693	3,990,424	(10,590)	(0.25%)
Operation and management of plant	3,732,384	3,196,937	3,250,343	535,447	16.75%
Scholarships and fellowships	1,493,871	1,271,148 (a)	2,309,532	222,723	17.52%
Auxiliary enterprises	8,585,730	7,912,581 (a)	7,324,740	673,149	8.51%
Depreciation expense	1,475,450	1,395,899	1,283,753	79,551	5.70%
Total operating expenses	<u>40,121,458</u>	<u>37,031,270</u>	<u>36,986,165</u>	<u>3,090,188</u>	8.34%
Nonoperating expenses					
Interest on capital related debt	1,378,430	1,215,469	1,188,057	162,961	13.41%
Loss on disposal of capital assets	2,153	-	-	2,153	100.00%
Total nonoperating expenses	<u>1,380,583</u>	<u>1,215,469</u>	<u>1,188,057</u>	<u>165,114</u>	13.58%
Total expenses	<u>41,502,041</u>	<u>38,246,739</u>	<u>38,174,222</u>	<u>3,255,302</u>	8.51%
Change in net assets	675,679	441,208	704,453	234,471	53.14%
Beginning net assets	<u>29,638,252</u>	<u>29,197,044</u>	<u>28,492,591</u>	<u>441,208</u>	1.51%
Ending net assets	<u>\$ 30,313,931</u>	<u>29,638,252</u>	<u>29,197,044</u>	<u>675,679</u>	2.28%

(a) Reclassification

Financial Analysis from 2007 to 2008

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase of \$675,679 in net assets at the year-end. Operating revenues increased 13.3% due to enrollment growth, increased tuition costs, receipt of the first installment of a four-year grant from the Department of Labor, and strong auxiliary enterprise sales.

Non-operating revenues increased by 3.9% or \$705,209. This increase resulted from an increase in state appropriation, which was attributable to the enrollment increases. Increases in gift revenues were offset with decreases in investment income.

Operating expenses increased in most categories as additional costs were incurred to support the additional enrollment and as the cost of goods and services increased. Additional scholarships awarded reflect a 17.5% increase in this expense. An additional 8.5% in auxiliary expenses occurred as a result of a 7.5% increase in auxiliary revenues.

Non-operating expenses of interest expense on capital debt increased by \$162,961 due to the issuance of additional bonds in early 2007 and the retirement of one notes payable.

Financial Analysis from 2006 to 2007

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase of \$441,208 in net assets at the year-end. Operating revenues increased a moderate 7.75% due to enrollment growth, increased tuition costs, and strong auxiliary enterprise sales.

Non-operating revenues decreased by 2.18% due to the gain (\$484,375) from the sale of real estate in Waxahachie which occurred in 2006. There was not a similar transaction in 2007. Investment income and ad valorem tax revenues increased but were offset by decreases in state allocations and other non-operating revenues.

Operating expenses increased in most categories as additional costs were incurred to support the additional enrollment and as the cost of goods and services increased. Additional scholarships awarded reflect a 15.9% increase in this expense. An additional 8% in auxiliary expenses occurred as a result of a 10% increase in auxiliary revenues.

Non-operating expenses of interest expense on capital debt increased by \$27,412 due to the issuance of additional bonds in early 2007 and the retirement of several notes payable.

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 non-operating, non-investing, and non-capital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received

from investing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

Navarro College District
Statements of Cash Flows
August 31,

	<u>2008</u>	<u>2007</u>	<u>2006</u>	Amount of Change 2007 to 2008	% of Change 2007 to 2008
Cash provided by (used for):					
Operating activities	\$ (14,498,046)	(12,436,206) (a)	(13,568,742)	(2,061,840)	
Noncapital financing activities	17,372,593	16,655,901 (a)	16,646,263	716,692	
Investing activities	4,147,828	1,979,886	(3,805,612)	2,167,942	
Capital and related financing activities	<u>(3,891,239)</u>	<u>(4,669,332)</u>	<u>(979,703)</u>	<u>778,093</u>	
Net change in cash	3,131,136	1,530,249	(1,707,794)	1,600,887	
Cash, beginning of year	<u>11,552,416</u>	<u>10,022,167</u>	<u>11,729,961</u>	<u>1,530,249</u>	
Cash, end of year	\$ <u><u>14,683,552</u></u>	<u><u>11,552,416</u></u>	<u><u>10,022,167</u></u>	<u><u>3,131,136</u></u>	27.10%

(a) Reclassification

An analysis of cash flows shows an overall increase in cash flow for 2008. The increased cash flow was generated from the liquidation of long-term government securities and the increase in state appropriation.

An analysis of cash flows shows an increase in cash flow for 2007. The increased cash flow was provided by current operations in the Educational and General Fund and Auxiliary Enterprises Fund where revenues exceed expenditures and by investment in public funding savings accounts which are classified as cash instead of investments.

Capital Asset and Debt Administration

The District did not incur any new debt in fiscal year 2008. The construction project in Waxahachie was completed and the addition to Gibson Hall will be completed in the spring of 2009. The addition to Gibson Hall is being funded from a portion of the Auxiliary Enterprises fund balance.

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 to increase its physical plant by adding \$1.1 million in capital assets, net of depreciation. These additions in Waxahachie are positioning the District 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.



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



Gertrud Moreno, CPA
Vice President (Elect) for Finance and Administration



Basic Financial Statements



Navarro College District

Statements of Net Assets
(Exhibit 1)

August 31, 2008 and 2007

	Primary Government		Component Unit	
	Navarro College District	Navarro College District	Navarro College Foundation, Inc.	Navarro College Foundation, Inc.
	2008	2007	2008	2007
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 14,683,552	11,552,416	211,546	236,029
Investments	350,000	4,014,000	-	-
Accounts receivable, net	2,721,120	2,429,610	1,347,955	1,095,833
Prepaid expenses	579,474	419,653	-	-
Inventories	1,328,452	1,489,740	-	-
Total current assets	<u>19,662,598</u>	<u>19,905,419</u>	<u>1,559,501</u>	<u>1,331,862</u>
Noncurrent assets:				
Long-term investments	-	-	1,477,574	1,405,929
Capital assets, net	51,580,996	51,562,340	8,404,865	8,050,245
Other assets	390,418	410,433	-	-
Total noncurrent assets	<u>51,971,414</u>	<u>51,972,773</u>	<u>9,882,439</u>	<u>9,456,174</u>
Total assets	<u>71,634,012</u>	<u>71,878,192</u>	<u>11,441,940</u>	<u>10,788,036</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,920,664	2,694,433	7,827	-
Accrued liabilities	341,116	352,660	-	-
Funds held for others	494,423	450,039	-	-
Deferred revenue	6,558,596	5,885,816	-	53,500
Accrued compensated absences - current portion	103,573	107,654	-	-
Accrued claims and judgements - current portion	22,432	28,386	-	-
Note payable - current portion	56,553	55,247	-	-
Capital lease - current portion	120,000	115,000	-	-
Bonds payable - current portion	870,000	840,000	-	-
Total current liabilities	<u>10,487,357</u>	<u>10,529,235</u>	<u>7,827</u>	<u>53,500</u>
Noncurrent liabilities:				
Accrued compensated absences	1,510,457	1,264,011	-	-
Accrued claims and judgements	67,297	85,157	-	-
Note payable	41,441	99,300	-	-
Capital lease	4,201,116	4,321,116	-	-
Bonds payable	25,012,413	25,941,121	-	-
Total noncurrent liabilities	<u>30,832,724</u>	<u>31,710,705</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>41,320,081</u>	<u>42,239,940</u>	<u>7,827</u>	<u>53,500</u>
<u>Net Assets</u>				
Net assets:				
Invested in capital assets, net of related debt	21,529,891	20,425,989	8,404,865	8,050,245
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	146,601	146,601
Pearce Museum	-	-	1,322,296	1,063,401
Expendable:				
Scholarships and fellowships	3,141,019	3,146,041	1,378,559	1,290,174
Debt service	230,220	198,795	-	-
Unrestricted	<u>5,412,801</u>	<u>5,867,427</u>	<u>181,792</u>	<u>184,115</u>
Total net assets	<u>\$ 30,313,931</u>	<u>29,638,252</u>	<u>11,434,113</u>	<u>10,734,536</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, 2008 and 2007

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2008	2007	2008	2007
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$6,994,274 and \$5,769,428, respectively)	\$ 6,125,581	5,361,391	-	-
Gifts	-	-	1,133,616	960,461
Federal grants and contracts	10,894,527	9,431,603	-	-
State grants and contracts	1,026,892	938,010	-	-
Local grants and contracts	297,581	128,462	-	-
Sales and services of educational activities	358,946	323,871	-	-
Auxiliary enterprises (net of scholarship allowances and discounts of \$2,854,102 and \$2,593,948, respectively)	4,958,164	4,614,339	-	-
Other operating revenues	98,376	177,827	-	29,100
Total operating revenues	23,760,067	20,975,503	1,133,616	989,561
Operating expenses:				
Instruction	14,955,025	13,753,775	-	-
Public service	157,488	125,816	-	-
Academic support	2,800,470	2,768,153	-	-
Student services	2,693,937	2,369,268	-	-
Institutional support	4,227,103	4,237,693	322,329	238,908
Operation and maintenance of plant	3,732,384	3,196,937	-	-
Scholarships and fellowships	1,493,871	1,271,148	147,697	165,228
Auxiliary enterprises	8,585,730	7,912,581	-	-
Depreciation	1,475,450	1,395,899	3,733	1,188
Total operating expenses	40,121,458	37,031,270	473,759	405,324
Operating loss	(16,361,391)	(16,055,767)	659,857	584,237
Nonoperating revenues (expenses):				
State appropriations	14,443,224	13,776,780	-	-
Ad valorem property taxes for maintenance and operations	2,686,447	2,699,632	-	-
Investment income	456,823	620,102	39,720	187,468
Gifts	793,110	607,580	-	-
Interest on capital asset-related debt	(1,378,430)	(1,215,469)	-	-
Loss on disposition of capital assets	(2,153)	-	-	-
Other nonoperating revenues (expenses), net	38,049	8,350	-	-
Net nonoperating revenues	17,037,070	16,496,975	39,720	187,468
Increase in net assets	675,679	441,208	699,577	771,705
Net assets - beginning of year	29,638,252	29,197,044	10,734,536	9,962,831
Net assets - end of year	\$ 30,313,931	29,638,252	11,434,113	10,734,536

See accompanying notes to the financial statements.

Navarro College District

Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2008 and 2007

	Primary Government	
	Navarro College District	
	2008	2007
Cash flows from operating activities		
Receipts from students and other customers	\$ 21,569,422	19,728,075
Receipts of grants and contracts	12,365,218	10,296,654
Other receipts	98,376	186,177
Payments to employees	(20,434,260)	(19,266,016)
Payments to suppliers and students for goods and services	(28,096,802)	(23,381,096)
Net cash used in operating activities	<u>(14,498,046)</u>	<u>(12,436,206)</u>
Cash flows from noncapital financing activities		
Receipts of state appropriations	13,918,961	13,325,347
Receipts from ad valorem property taxes for maintenance and operation	2,660,522	2,722,974
Receipts from gifts for other than capital purposes	793,110	607,580
Net cash provided by noncapital financing activities	<u>17,372,593</u>	<u>16,655,901</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of bonded debt	-	3,550,000
Purchases of capital assets	(1,496,256)	(5,979,443)
Payments on capital debt principal	(1,016,553)	(1,029,843)
Payments on capital debt interest	(1,378,430)	(1,210,046)
Net cash used in capital and related financing activities	<u>(3,891,239)</u>	<u>(4,669,332)</u>
Cash flows from investing activities		
Proceeds from sale of investments	3,664,000	7,595,000
Receipts from interest on investments	483,828	631,886
Purchase of investments	-	(6,247,000)
Net cash provided by investing activities	<u>4,147,828</u>	<u>1,979,886</u>
Net increase in cash and cash equivalents	3,131,136	1,530,249
Cash and cash equivalents - beginning of year	<u>11,552,416</u>	<u>10,022,167</u>
Cash and cash equivalents - end of year	<u>\$ 14,683,552</u>	<u>11,552,416</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (16,361,391)	(16,055,767)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,475,450	1,395,899
On-behalf payments	524,264	451,433
Other nonoperating revenues	-	8,350
Change in assets and liabilities:		
Receivables, net	(292,590)	251,386
Inventories	161,288	(469,254)
Prepaid expenses	(159,821)	(85,376)
Other assets	-	(29,985)
Accounts payable	(773,769)	1,206,072
Accrued liabilities	(7,191)	(53,708)
Funds held for others	44,383	16,884
Deferred revenue	672,780	878,314
Accrued compensated absences	242,365	76,307
Accrued claims and judgements	(23,814)	(26,761)
Net cash used in operating activities	<u>\$ (14,498,046)</u>	<u>(12,436,206)</u>
Noncash investing, capital and financing activities:		
State appropriations on-behalf payments	<u>\$ 524,264</u>	<u>451,433</u>

See accompanying notes to the financial statements.



Navarro College District

Notes to Financial Statements

August 31, 2008 and 2007

(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, 2008 and 2007, the Foundation expended \$186,772 and \$228,799, 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 District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship allowance and discount.

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

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

(d) Cash and Cash Equivalents

The District's cash and cash equivalents for purposes of reporting cash flows consist of cash on hand, demand deposits, and certificates of deposit. Cash equivalents of \$7,519,000 and \$1,450,000 at August 31, 2008 and 2007, respectively, consist of certificates of deposit.

(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 nonparticipating investment contracts which are stated at cost. Fair values are based

Navarro College District

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(e) Investments (continued)

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 \$6,558,596 and \$5,885,816 at August 31, 2008 and 2007,

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Revenue (continued)

respectively, which have not yet been earned. Deferred revenue also includes amounts received from grants that have not yet been earned.

(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.

Navarro College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2008 and 2007 consist of the following:

	2008	2007
<u>Deposits</u>		
Cash - demand deposits	\$ 7,160,402	10,098,266
Cash - certificates of deposit	7,519,000	1,450,000
Cash - petty cash on hand	4,150	4,150
Total deposits	14,683,552	11,552,416
<u>Investments</u>		
U. S. government securities		
U. S. Treasury Bills	-	1,790,000
Federal National Mortgage Association	350,000	1,100,000
Federal Home Loan Mortgage Corporation	-	819,000
Federal Home Loan Bank	-	305,000
Total investments	350,000	4,014,000
Total deposits and investments	\$ 15,033,552	15,566,416

Deposits and investments of the Foundation at August 31, 2008 and 2007 consist of the following:

	2008	2007
<u>Deposits</u>		
Cash - demand deposits	\$ 211,546	236,029
Total deposits	211,546	236,029
<u>Investments</u>		
U. S. government securities	844,834	859,515
Corporate bonds	236,444	62,141
Marketable equity securities	171,568	391,415
Other investments	224,728	92,858
Total investments	1,477,574	1,405,929
Total deposits and investments	\$ 1,689,120	1,641,958

Navarro College District

Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in years) of the District at August 31, 2008 and 2007 consists of the following:

<u>Investments</u>	<u>2008</u>	<u>2007</u>
U.S. government securities:		
U. S. Treasury Bills	-	.48 years
Federal National Mortgage Association	.5 years	.33 years
Federal Home Loan Mortgage Corporation	-	.70 years
Federal Home Loan Bank	-	.45 years

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in the securities of a single issuer. The District generally limits the amount which may be invested in any one issuer to 10% of the portfolio. As of August 31, 2008, 100% of the District's investments are in the Federal National Mortgage Association. As of August 31, 2007, more than 10% of the District's investments are in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These investments are 48% of the District's total investments as of August 31, 2007.

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

Navarro College District

Notes to Financial Statements
(Continued)

(5) Accounts Receivable

Accounts receivable at August 31, 2008 and 2007 consisted of the following:

	2008	2007
Tuition and fees	\$ 2,860,718	2,383,733
Ad valorem property taxes	314,758	288,833
Federal and state grants	454,723	620,455
Interest	69,439	96,444
Auxiliary and other	128,348	147,011
	3,827,986	3,536,476
Less allowance for doubtful accounts	(1,106,866)	(1,106,866)
Accounts receivable, net	\$ 2,721,120	2,429,610

(6) Capital Assets

Capital asset activity for the District for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Additions	Transfers and Retirements	Balance August 31, 2008
Capital assets, not being depreciated:				
Land	\$ 2,613,893	10,000	-	2,623,893
Collections	434,339	-	-	434,339
Construction in progress	5,305,504	902,504	(5,977,551)	230,457
	8,353,736	912,504	(5,977,551)	3,288,689
Capital assets, being depreciated:				
Buildings and building improvements	49,183,990	44,122	5,977,551	55,205,663
Other real estate improvements	3,817,470	329,067	-	4,146,537
Total buildings and other real estate improvements	53,001,460	373,189	5,977,551	59,352,200
Library books	1,126,290	74,644	-	1,200,934
Furniture and equipment	3,844,106	135,919	(12,314)	3,967,711
	57,971,856	583,752	5,965,237	64,520,845

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2007	Additions	Transfers and Retirements	Balance August 31, 2008
Less accumulated depreciation:				
Buildings and building improvements	\$ (10,462,550)	(947,794)	-	(11,410,344)
Other real estate improvements	(1,596,101)	(136,069)	-	(1,732,170)
Total buildings and other real estate improvements	(12,058,651)	(1,083,863)	-	(13,142,514)
Library books	(718,546)	(51,949)	-	(770,495)
Furniture and equipment	(1,986,055)	(339,635)	10,161	(2,315,529)
	<u>(14,763,252)</u>	<u>(1,475,447)</u>	<u>10,161</u>	<u>(16,228,538)</u>
	43,208,604	(891,695)	5,975,398	48,292,307
	<u>\$ 51,562,340</u>	<u>20,809</u>	<u>(2,153)</u>	<u>51,580,996</u>

Capital asset activity for the year ended August 31, 2007 was as follows:

	Balance September 1, 2006	Additions	Transfers and Retirements	Balance August 31, 2007
Capital assets, not being depreciated:				
Land	\$ 2,613,893	-	-	2,613,893
Collections	434,339	-	-	434,339
Construction in progress	41,032	5,264,472	-	5,305,504
	<u>3,089,264</u>	<u>5,264,472</u>	<u>-</u>	<u>8,353,736</u>
Capital assets, being depreciated:				
Buildings and building improvements	48,772,058	510,516	(98,584)	49,183,990
Other real estate improvements	3,745,163	72,307	-	3,817,470
Total buildings and other real estate improvements	52,517,221	582,823	(98,584)	53,001,460
Library books	1,216,315	72,723	(162,748)	1,126,290
Furniture and equipment	3,686,097	158,009	-	3,844,106
	<u>57,419,633</u>	<u>813,555</u>	<u>(261,332)</u>	<u>57,971,856</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2007	<u>Additions</u>	Transfers and Retirements	Balance August 31, 2008
Less accumulated depreciation:				
Buildings and building improvements	\$ (9,582,504)	(880,046)	-	(10,462,550)
Other real estate improvements	(1,465,995)	(130,106)	-	(1,596,101)
Total buildings and other real estate improvements	(11,048,499)	(1,010,152)	-	(12,058,651)
Library books	(832,324)	(48,970)	162,748	(718,546)
Furniture and equipment	(1,649,278)	(336,777)	-	(1,986,055)
	<u>(13,530,101)</u>	<u>(1,395,899)</u>	<u>162,748</u>	<u>(14,763,252)</u>
	<u>43,889,532</u>	<u>(582,344)</u>	<u>(98,584)</u>	<u>43,208,604</u>
	<u>\$ 46,978,796</u>	<u>4,682,128</u>	<u>(98,584)</u>	<u>51,562,340</u>

Construction Commitments

The District has active construction projects as of August 31, 2008. At August 31, 2008, the District's commitments with contractors, none of which require future financing, are as follows:

	Spent to Date	Remaining Commitment
Gibson Hall expansion	\$ <u>230,457</u>	\$ <u>267,326</u>

Capital asset activity for the Foundation for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	<u>Additions</u>	Transfers and Retirements	Balance August 31, 2008
Capital assets, not being depreciated:				
Collections	\$ 8,026,900	357,153	-	8,384,053
	<u>8,026,900</u>	<u>357,153</u>	<u>-</u>	<u>8,384,053</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	<u>Balance</u> <u>September 1,</u> <u>2007</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Retirements</u>	<u>Balance</u> <u>August 31,</u> <u>2008</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 24,533	1,200	-	25,733
	<u>24,533</u>	<u>1,200</u>	<u>-</u>	<u>25,733</u>
Less accumulated depreciation:				
Furniture and equipment	(1,188)	(3,733)	-	(4,921)
	<u>(1,188)</u>	<u>(3,733)</u>	<u>-</u>	<u>(4,921)</u>
	<u>23,345</u>	<u>(2,533)</u>	<u>-</u>	<u>20,812</u>
	<u>\$ 8,050,245</u>	<u>354,620</u>	<u>-</u>	<u>8,404,865</u>

Capital asset activity for the Foundation for the year ended August 31, 2007 was as follows:

	<u>Balance</u> <u>September 1,</u> <u>2007</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Retirements</u>	<u>Balance</u> <u>August 31,</u> <u>2008</u>
Capital assets, not being depreciated:				
Collections	\$ 7,541,442	485,458	-	8,026,900
	<u>7,541,442</u>	<u>485,458</u>	<u>-</u>	<u>8,026,900</u>
Capital assets, being depreciated:				
Buildings and building improvements	491,932	-	(491,932)	-
Furniture and equipment	-	24,533	-	24,533
	<u>491,932</u>	<u>24,533</u>	<u>(491,932)</u>	<u>24,533</u>
Less accumulated depreciation:				
Buildings and building improvements	(428,371)	-	428,371	-
Furniture and equipment	-	(1,188)	-	(1,188)
	<u>(428,371)</u>	<u>(1,188)</u>	<u>428,371</u>	<u>(1,188)</u>
	<u>63,561</u>	<u>23,345</u>	<u>(63,561)</u>	<u>23,345</u>
	<u>\$ 7,605,003</u>	<u>508,803</u>	<u>(63,561)</u>	<u>8,050,245</u>

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Due Within One Year
Bonds and notes payable:					
Revenue bonds	\$ 26,620,000	-	845,000	25,775,000	870,000
Deferred amounts:					
On refunding	161,121	-	53,708	107,413	-
Notes payable	154,547	-	56,553	97,994	56,553
Total bonds and notes payable	26,935,668	-	955,261	25,980,407	926,553
Capital lease	4,436,116	-	115,000	4,321,116	120,000
Other liabilities:					
Compensated absences	1,371,665	321,378	79,013	1,614,030	103,573
Claims and judgments	113,543	11,318	35,132	89,729	22,432
	<u>\$ 32,856,992</u>	<u>332,696</u>	<u>1,184,406</u>	<u>32,005,282</u>	<u>1,172,558</u>

Long-term liability activity for the year ended August 31, 2007 was as follows:

	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Due Within One Year
Bonds and notes payable:					
Revenue bonds	\$ 23,740,000	3,550,000	670,000	26,620,000	840,000
Deferred amounts:					
On refunding	214,829	-	53,708	161,121	-
Notes payable	254,122	-	99,575	154,547	55,247
Total bonds and notes payable	24,208,951	3,550,000	823,283	26,935,668	895,247
Capital lease	4,696,384	-	260,268	4,436,116	115,000
Other liabilities:					
Compensated absences	1,295,358	243,384	167,077	1,371,665	107,654
Claims and judgments	140,304	5,422	32,183	113,543	28,386
	<u>\$ 30,340,997</u>	<u>3,798,806</u>	<u>1,282,811</u>	<u>32,856,992</u>	<u>1,146,287</u>

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Revenue bonds at August 31, 2008 and 2007 are comprised of the following individual issues:

	<u>2008</u>	<u>2007</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%	\$ 19,025,000	19,615,000
\$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2027; interest at 3.7%	3,325,000	3,455,000
\$3,550,000 series 2007 revenue bonds due in annual installments of \$120,000 to \$250,000 through May 2027; interest at 4.08%	<u>3,425,000</u>	<u>3,550,000</u>
	\$ <u>25,775,000</u>	<u>26,620,000</u>

Note payable at August 31, 2008 and 2007 are comprised of the following:

	<u>2008</u>	<u>2007</u>
\$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% (3.67% at August 31, 2008); secured by land	\$ <u>97,994</u>	<u>154,547</u>

Debt service requirements to amortize revenue bonds payable and notes payable as of August 31, 2008, 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	
2009	\$ 870,000	1,178,089	56,553	4,234	2,108,876
2010	895,000	1,148,474	41,441	1,918	2,086,833
2011	930,000	1,116,125	-	-	2,046,125
2012	965,000	1,079,252	-	-	2,044,252
2013	1,005,000	1,040,990	-	-	2,045,990
2014 - 2018	5,680,000	4,524,566	-	-	10,204,566
2019 - 2023	7,175,000	3,038,148	-	-	10,213,148
2024 - 2028	8,255,000	1,172,997	-	-	9,427,997
	<u>\$ 25,775,000</u>	<u>14,298,641</u>	<u>97,994</u>	<u>6,152</u>	<u>40,177,787</u>

(8) Capital Lease Obligations

The District leases a building under a noncancelable capital lease agreement that expires in August 2029. Amortization of assets held under capital leases is included with depreciation expense. Assets under capital leases at August 31, 2008 consisted of the following:

Building	\$ 4,651,416
Less: accumulated amortization	<u>(220,875)</u>
	<u>\$ 4,430,541</u>

The future minimum lease obligations and the net present value of future minimum lease payments as of August 31, 2008 are as follows:

<u>Fiscal Year</u>	
2009	\$ 317,375
2010	316,375
2011	320,125
2012	318,375
2013	321,375
2014 - 2018	1,605,300
2019 - 2023	1,662,160
2024 - 2028	1,718,765
2029 - 2033	<u>251,526</u>
Total minimum lease payments	<u>6,831,376</u>

Navarro College District

Notes to Financial Statements
(Continued)

(8) Capital Lease Obligations (continued)

Less amounts representing interest (at rates ranging from 4% to 5%)	\$ <u>(2,510,260)</u>
Present value of minimum capital lease payments	\$ <u><u>4,321,116</u></u>

(9) Employees' Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2008, 2007, and 2006, and a state contribution rate of 6.58% for fiscal year 2008 and 6.0% for fiscal years 2007 and 2006. In certain circumstances, the District is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2008, 2007, and 2006 were \$524,264, \$451,531, and \$413,862, respectively, and are reported as revenues and expenses in the accompanying financial statements.

Navarro College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

The State has also established an optional defined contribution retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System of Texas. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the State and each participant are 6.58% and 6.65%, respectively. The District supplements an additional 1.92%. The contributions for the years ended August 31, 2008, 2007, and 2006 were \$593,331, \$537,014, and \$525,061, which consisted of \$265,575, \$215,994, and \$209,866, from the State; \$277,889, \$255,562, and \$250,316 from the employees; \$43,079, \$52,622, and \$48,895 from the District; and \$6,788, \$12,836, and \$15,984 from federal grants. Contributions made by the State on behalf of the District are reported as revenues and expenses in the accompanying financial statements. Since these are individual annuity contracts, the State and the College have no additional or unfunded liability for this program.

The total payroll for all College employees was \$18,189,099 and \$17,177,323 for the years ended August 31, 2008 and 2007, respectively. The total payroll of employees covered by TRS was \$9,992,276 and \$9,419,132, and the total payroll of employees covered by the optional retirement program was \$4,178,767 and \$3,843,126 for the years ended August 31, 2008 and 2007, 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 \$372,880 and \$324,009 at August 31, 2008 and 2007, 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%

Navarro College District

Notes to Financial Statements
(Continued)

(10) Compensated Absences (continued)

The District recognized an accrued liability for the unpaid sick leave of \$1,241,150 and \$1,047,656 at August 31, 2008 and 2007, respectively.

(11) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$122,874. The claims liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. 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>2008</u>	<u>2007</u>
Unpaid claims, beginning of year	\$ 113,543	140,304
Incurred claims (including IBNR) and changes to prior year estimates	11,318	5,422
Claim payments	<u>(35,132)</u>	<u>(32,183)</u>
Unpaid claims, end of year	\$ <u>89,729</u>	<u>113,543</u>

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

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

Navarro College District

Notes to Financial Statements
(Continued)

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

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees determined on a pay-as-you-go basis. The District's contributions for retirees to SRHP for the years ended August 31, 2008, 2007, and 2006, were \$361,719, \$360,343, and \$321,442, respectively, which equaled the required contributions each year.

(13) Voluntary Contributory Pension Plan

The District has a contributory, defined contribution, money-purchase pension plan which is administered by the trust departments at two local banks. Any employee who has completed one year of service, has attained age 21, and is actively employed on the last day of the plan year is eligible to participate. In order to participate, the employee must agree to contribute 5% of total compensation to the plan. The District then contributes 8% of total compensation to the plan. The employee is 100% vested in their contributions to the plan. Employer contributions to the plan are vested at 20% after one year of service, and then at the rate of 20% per year of service. District contributions were \$773,980 and \$708,452 in 2008 and 2007, respectively. Participant contributions were \$483,739 and \$442,783 in 2008 and 2007, 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>2008</u>	<u>2007</u>
Assessed valuation of the District	\$ 2,386,173,918	2,075,341,228
Less: Abatements	110,221,055	60,368,092
Less: Exemptions	<u>57,593,710</u>	<u>56,239,536</u>
Net assessed valuation of the District	\$ <u>2,218,359,153</u>	<u>1,958,733,600</u>

Navarro College District

Notes to Financial Statements
(Continued)

(14) Ad Valorem Property Taxes (continued)

Tax rates authorized and assessed during fiscal year 2008 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	0.120000	0.000000	0.120000

Tax rates authorized and assessed during fiscal year 2007 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	0.135000	0.000000	0.135000

Taxes levied for the year ended August 31, 2008 are \$2,661,925. 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, 2008 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,568,362	-	2,568,362
Delinquent taxes collected	79,274	-	79,274
Penalties and interest collected	<u>56,503</u>	<u>-</u>	<u>56,503</u>
Total collections	\$ <u>2,704,139</u>	<u>-</u>	<u>2,704,139</u>

Taxes levied for the year ended August 31, 2007 are \$2,644,308. 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, 2007 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,571,228	-	2,571,228
Delinquent taxes collected	80,910	-	80,910
Penalties and interest collected	<u>57,830</u>	<u>-</u>	<u>57,830</u>
Total collections	\$ <u>2,709,968</u>	<u>-</u>	<u>2,709,968</u>

Navarro College District

Notes to Financial Statements (Continued)

(14) Ad Valorem Property Taxes (continued)

Tax collections for the years ended August 31, 2008 and 2007 were 97% of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(15) Budgets

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

(16) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2008 or 2007.

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

(17) Contingencies

In connection with the District's opening of the Midlothian campus, the State of Texas authorized and awarded a supplemental new campus appropriation of approximately \$2.7 million during 2006 and 2007. This appropriation included a minimum contact hour contingency requirement. During 2008, an investigation was initiated because the number of contact hours the District reported to the Texas Higher Education Coordinating Board for the Midlothian campus included some distance learning classes which, allegedly, should have been reported by the main campus. The effect of the alleged misreporting on the supplemental appropriation previously received could result in a liability to the District of up to \$1.4 million. Management of the District cannot at this time predict or reasonably estimate the outcome of this matter. Accordingly, no provision for any estimated loss is reflected in the accompanying financial statements.

Also, amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the

Navarro College District

Notes to Financial Statements (Continued)

(17) Contingencies (continued)

applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects any such amounts to be immaterial.

(18) Grants and Contracts

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

(19) Business Concentrations

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

(20) Transactions with Component Unit

The District received contributions from the Foundation for the years ended August 31, 2008 and 2007 in the amount of \$52,991 and \$63,571, respectively.

The District leased dormitory facilities from the Foundation through September 2006, at which time the dormitory facilities were contributed by the Foundation to the District. During the year ended August 31, 2007, the District paid \$29,100 to the Foundation under the lease agreement.

(21) Authoritative Pronouncements Not Yet Adopted

In February 2007, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of this statement are effective for fiscal periods beginning after December 15, 2007. The District has not yet determined the effects of Statement No. 49.

In September 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial

Navarro College District

Notes to Financial Statements
(Continued)

(21) Authoritative Pronouncements Not Yet Adopted (continued)

reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The District has not yet determined the effects of Statement No. 51.

Supplemental Information



Navarro College District

Schedule of Operating Revenues
(Schedule A)

Year Ended August 31, 2008
(With Totals for the Year Ended August 31, 2007)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2008	2007
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 1,084,338	-	1,084,338	-	1,084,338	992,472
Out-of-district resident tuition	3,749,222	-	3,749,222	-	3,749,222	3,311,497
Non-resident tuition	504,267	-	504,267	-	504,267	535,704
TPEG - credit (set aside)	297,766	-	297,766	-	297,766	269,978
State funded continuing education	284,588	-	284,588	-	284,588	276,416
TPEG - non-credit (set aside)	16,676	-	16,676	-	16,676	15,431
Non-state funded educational programs	9,862	-	9,862	-	9,862	7,115
Total tuition	5,946,719	-	5,946,719	-	5,946,719	5,408,613
Fees:						
Building use fees	2,775,032	-	2,775,032	-	2,775,032	1,982,253
Student services fees	493,206	-	493,206	-	493,206	422,959
Laboratory fees	284,477	-	284,477	-	284,477	265,045
Out-of-district fees	3,456,736	-	3,456,736	-	3,456,736	2,902,250
Other fees	163,685	-	163,685	-	163,685	149,699
Total fees	7,173,136	-	7,173,136	-	7,173,136	5,722,206
Scholarship allowances and discounts:						
Title IV federal grants	(6,740,192)	-	(6,740,192)	-	(6,740,192)	(5,591,429)
TPEG awards	(254,082)	-	(254,082)	-	(254,082)	(177,999)
Total scholarship allowances	(6,994,274)	-	(6,994,274)	-	(6,994,274)	(5,769,428)
Total net tuition and fees	6,125,581	-	6,125,581	-	6,125,581	5,361,391
Additional operating revenues:						
Federal grants and contracts	-	10,894,527	10,894,527	-	10,894,527	9,431,603
State grants and contracts	-	1,026,892	1,026,892	-	1,026,892	938,010
Local grants and contracts	-	297,581	297,581	-	297,581	128,462
Sales and services of educational activities	358,946	-	358,946	-	358,946	323,871
General operating revenues	98,376	-	98,376	-	98,376	177,827
Total additional operating revenues	457,322	12,219,000	12,676,322	-	12,676,322	10,999,773
Auxiliary enterprises:						
Bookstore	-	-	-	4,303,725	4,303,725	3,965,392
less discounts	-	-	-	(1,569,756)	(1,569,756)	(1,426,714)
Dining services	-	-	-	1,875,472	1,875,472	1,748,471
less discounts	-	-	-	(713,526)	(713,526)	(648,487)
Housing	-	-	-	1,488,434	1,488,434	1,390,583
less discounts	-	-	-	(570,820)	(570,820)	(518,747)
Athletic sales and student programs	-	-	-	87,347	87,347	54,422
Gift shop	-	-	-	40,364	40,364	34,705
Other auxiliary enterprises	-	-	-	16,924	16,924	14,714
Total net auxiliary enterprises	-	-	-	4,958,164	4,958,164	4,614,339
Total operating revenues	\$ 6,582,903	12,219,000	18,801,903	4,958,164	23,760,067	20,975,503

In accordance with Education Code 56.033, \$314,442 and \$285,409 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2008 and 2007, respectively.

See accompanying independent auditors' report.

Navarro College District

Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2008
(With Totals for the year ended August 31, 2007)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2008	2007
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 9,994,990	-	1,229,481	942,927	12,167,398	11,159,457
Public service	15,652	-	1,965	5,323	22,940	21,380
Academic support	1,844,308	-	226,707	462,125	2,533,140	2,527,029
Student services	1,385,485	-	170,276	581,040	2,136,801	1,847,911
Institutional support	2,163,474	-	265,835	1,484,324	3,913,633	3,955,607
Operation and maintenance of plant	592,715	-	72,947	2,980,703	3,646,365	3,120,042
Total unrestricted educational activities	<u>15,996,624</u>	<u>-</u>	<u>1,967,211</u>	<u>6,456,442</u>	<u>24,420,277</u>	<u>22,631,426</u>
Restricted - educational activities:						
Instruction	547,788	1,448,637	91,450	699,752	2,787,627	2,594,318
Public service	74,920	2,319	13,849	43,460	134,548	104,436
Academic support	-	267,330	-	-	267,330	241,124
Student services	221,405	200,787	53,316	81,628	557,136	521,357
Institutional support	-	313,470	-	-	313,470	282,086
Operation and maintenance of plant	-	86,019	-	-	86,019	76,895
Scholarships and fellowships	-	-	-	1,493,871	1,493,871	1,271,148
Total restricted educational activities	<u>844,113</u>	<u>2,318,562</u>	<u>158,615</u>	<u>2,318,711</u>	<u>5,640,001</u>	<u>5,091,364</u>
Total educational activities	<u>16,840,737</u>	<u>2,318,562</u>	<u>2,125,826</u>	<u>8,775,153</u>	<u>30,060,278</u>	<u>27,722,790</u>
Auxiliary enterprises	<u>1,374,775</u>	<u>-</u>	<u>295,902</u>	<u>6,915,053</u>	<u>8,585,730</u>	<u>7,912,581</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	1,082,680	1,082,680	1,010,152
Equipment and furniture	-	-	-	340,821	340,821	336,777
Library books	-	-	-	51,949	51,949	48,970
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,475,450</u>	<u>1,475,450</u>	<u>1,395,899</u>
Total operating expenses	<u>\$ 18,215,512</u>	<u>2,318,562</u>	<u>2,421,728</u>	<u>17,165,656</u>	<u>40,121,458</u>	<u>37,031,270</u>

See accompanying independent auditors' report.

Navarro College District

Schedule of Nonoperating Revenues and Expenses
(Schedule C)

Year Ended August 31, 2008
(With Totals for the Year Ended August 31, 2007)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>	
				2008	2007
Nonoperating revenues:					
State Appropriations:					
Education and general state support	\$ 12,124,663	-	-	12,124,663	11,751,276
State group insurance	-	1,528,722	-	1,528,722	1,358,077
State retirement matching	-	789,839	-	789,839	667,427
Total state appropriations	<u>12,124,663</u>	<u>2,318,561</u>	<u>-</u>	<u>14,443,224</u>	<u>13,776,780</u>
Maintenance ad valorem taxes	2,686,447	-	-	2,686,447	2,699,632
Investment income	243,043	161,692	52,088	456,823	620,102
Gifts	-	793,110	-	793,110	607,580
Other nonoperating revenues	<u>38,049</u>	<u>-</u>	<u>-</u>	<u>38,049</u>	<u>8,350</u>
Total nonoperating revenues	<u>15,092,202</u>	<u>3,273,363</u>	<u>52,088</u>	<u>18,417,653</u>	<u>17,712,444</u>
Nonoperating expenses:					
Interest on capital related debt	1,378,430	-	-	1,378,430	1,215,469
Loss on disposition of capital asset	<u>2,153</u>	<u>-</u>	<u>-</u>	<u>2,153</u>	<u>-</u>
Total nonoperating expenses	<u>1,380,583</u>	<u>-</u>	<u>-</u>	<u>1,380,583</u>	<u>1,215,469</u>
Net nonoperating revenues	<u>\$ 13,711,619</u>	<u>3,273,363</u>	<u>52,088</u>	<u>17,037,070</u>	<u>16,496,975</u>

See accompanying independent auditors' report.

Navarro College District

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

Year Ended August 31, 2008

	Detail by Source				Available for Current Operation	
	Unrestricted	Restricted - Expendable	Invested in Capital Assets, Net of Related Debt	Total	Yes	No
Current:						
Unrestricted	\$ 2,760,775	-	-	2,760,775	2,760,775	-
Auxiliary	2,182,851	-	-	2,182,851	2,182,851	-
Scholarships and fellowships	-	3,141,019	-	3,141,019	-	3,141,019
Plant:						
Debt service	-	230,220	-	230,220	-	230,220
Investment in plant	469,175	-	21,529,891	21,999,066	-	21,999,066
Total net assets, August 31, 2008	5,412,801	3,371,239	21,529,891	30,313,931	4,943,626	25,370,305
Total net assets, August 31, 2007	5,867,427	3,344,836	20,425,989	29,638,252	4,584,789	25,053,463
Net increase (decrease) in net assets	\$ (454,626)	26,403	1,103,902	675,679	358,837	316,842

See accompanying independent auditors' report.

Navarro College District

Schedule of Expenditures of Federal Awards
(Schedule E)

Year Ended August 31, 2008

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		\$ 222,083
Federal Work Study Program	84.033 *1	PO42A061194-07	226,940
TRIO - Student Support Services	84.042A		356,351
Federal Pell Grant Program	84.063 *1		8,638,643
Academic Competitiveness Grant	84.375A *1		261,200
Total Direct Programs			<u>9,705,217</u>
Pass Through From:			
Texas Education Agency:			
Adult Education	84.002A	084100017110201	<u>293,873</u>
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	84231	<u>566,091</u>
Leverage Education Assistance Program	84.069A		<u>11,768</u>
Special Leveraging Educational Assistance Program	84.069B		<u>15,609</u>
BYRD	84.185		<u>1,313</u>
Dallas County Community College District:			
Vocational Education - Technical Preparation	84.243		<u>161,674</u>
Stephen F. Austin University:			
Fund for Improvement of Postsecondary Education	84.116		<u>665</u>
Total U. S. Department of Education			<u>10,756,210</u>
<u>U. S. Department of Labor</u>			
Community Based Job Training Grant	17.269	CB-17302-08-60-A-48	<u>61,537</u>
Total U.S. Department of Labor			<u>61,537</u>
<u>U. S. Small Business Administration</u>			
Pass Through From Dallas County Community College District:			
Small Business Development	59.037		<u>60,248</u>
Total U. S. Small Business Administration			<u>60,248</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From Texas Education Agency:			
Temporary Assistance for Needy Families	93.558	73625017110144	10,061
Temporary Assistance for Needy Families	93.558	083625017110186	<u>5,218</u>
Total U.S. Department of Health and Human Services			<u>15,279</u>
Total Federal Awards			\$ <u>10,893,274</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, 2008

(1) Federal Revenue Reconciliation

Federal revenues for the year ended August 31, 2008 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 10,894,527
Less: Veterans Administration processing fees	<u>(1,253)</u>
Total per Schedule of Expenditures of Federal Awards	\$ <u>10,893,274</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>14,520,705</u>	<u>-</u>	<u>14,520,705</u>



Navarro College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2008

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Indirect Costs and Expenditures</u>
Texas Higher Education Coordinating Board		
State Work Study		\$ 35,909
Texas Grant Program		411,740
Texas Educational Opportunity Grant Program		124,560
Texas Tomorrow Fund		67,317
Certified Education Aide		86,037
Developmental Education Bridge Program		505
P-16 College Readiness Special Advisors Program		11,111
Total Texas Higher Education Coordinating Board		<u>737,179</u>
Texas Education Agency		
State Adult Education	080100017110201	54,143
Temporary Assistance for Needy Families	080110017110186	11,728
Total Texas Education Agency		<u>65,871</u>
Texas Workforce Commission		
Skills Development - Koyo Steering	0406SDF001	98,824
Skills Development - Ellis County Consortium	0407SDF003	96,562
Total Texas Workforce Commission		<u>195,386</u>
Small Business Development Center		<u>39,089</u>
Early High School Graduate		<u>33,236</u>
Charley Wootan		<u>10,000</u>
Total State Awards		<u>\$ 1,080,761</u>



Navarro College District

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2008

(1) State Revenue Reconciliation

State revenues for 2008 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ 1,026,892
Awarding of scholarship prior to receipt of funding	<u>53,869</u>
Total per Schedule of Expenditures of State Awards	\$ <u>1,080,761</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

Financial Trends Information

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

Net Assets by Component

Revenues by Source

Expenses by Function and Changes in Net Assets

Revenue Capacity Information

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

Tuition and Fees

Assessed Value and Estimated Actual Value of Taxable Property

Direct and Overlapping Property Tax Rates

Principal Taxpayers

Property Tax Levies and Collections

Debt Capacity Information

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

Ratios of Outstanding Debt

Legal Debt Margin Information

Pledged Revenue Coverage

Demographic and Economic Information

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

Demographic and Economic Statistics

Principal Employers

Operating Information

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

State Appropriation per Full-Time Student Equivalents and Contact Hour

Faculty, Staff, and Administrators Statistics

Enrollment Details

Student Profile

Transfers to Senior Institutions

Capital Asset Information



Navarro College District

Net Assets by Component
Fiscal Years 2002 to 2008
(Unaudited)

	For the Fiscal Year Ended August 31,						
	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 21,529,891	20,425,989	21,532,452	21,173,689	20,707,351	15,590,718	15,094,013
Restricted	3,371,239	3,344,836	3,270,450	3,282,817	3,194,512	3,020,182	3,758,768
Unrestricted	<u>5,412,801</u>	<u>5,867,427</u>	<u>4,394,142</u>	<u>4,036,085</u>	<u>4,520,280</u>	<u>3,580,224</u>	<u>2,179,430</u>
Total net assets	<u>\$ 30,313,931</u>	<u>29,638,252</u>	<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 2002-2008 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 2008
(Unaudited)

	2008	2007
Tuition and fees (net of discounts)	\$ 6,125,581	5,361,391
Federal grants and contracts	10,894,527	9,431,603
State grants and contracts	1,026,892	938,010
Local grants and contracts	297,581	128,462
Sales and services of educational activities	358,946	323,871
Auxiliary enterprises (net of discounts)	4,958,164	4,614,339
Other operating revenues	98,376	177,827
Total operating revenues	23,760,067	20,975,503
State allocations	14,443,224	13,776,780
Ad valorem taxes	2,686,447	2,699,632
Gifts	793,110	607,580
Investment income	456,823	620,102
Other non-operating revenues	38,049	8,350
Gain on sale of capital assets	-	-
Total non-operating revenues	18,417,653	17,712,444
Total revenues	\$ 42,177,720	38,687,947
Tuition and fees (net of discounts)	14.52%	13.86%
Federal grants and contracts	25.83%	24.38%
State grants and contracts	2.43%	2.42%
Local grants and contracts	0.71%	0.33%
Sales and services of educational activities	0.85%	0.84%
Auxiliary enterprises (net of discounts)	11.76%	11.93%
Other operating revenues	0.23%	0.46%
Total operating revenues	56.33%	54.22%
State appropriations	34.24%	35.61%
Ad valorem property taxes	6.37%	6.98%
Gifts	1.88%	1.57%
Investment income	1.08%	1.60%
Other non-operating revenues	0.09%	0.02%
Gain on disposal of assets	0.00%	0.00%
Total non-operating revenues	43.67%	45.78%
Total revenues	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available

For the Fiscal Year Ended August 31,

2006	2005	2004	2003	2002
5,522,555	5,462,894	4,084,042	3,125,956	3,130,078
9,887,235	9,712,239	9,200,485	8,539,636	4,610,125
638,876	578,687	123,677	756,683	300,815
105,942	114,415	120,458	178,689	149,144
302,157	309,673	259,937	99,911	114,661
4,088,933	3,402,443	2,784,283	2,670,875	3,246,371
226,393	159,978	185,027	218,294	191,774
<u>20,772,091</u>	<u>19,740,329</u>	<u>16,757,909</u>	<u>15,590,044</u>	<u>11,742,968</u>
13,991,286	10,487,726	10,153,252	9,900,296	10,901,088
2,483,723	2,302,370	2,295,887	2,077,465	2,013,756
608,458	560,903	5,132,837	55,615	356,890
481,994	382,527	376,719	412,460	257,614
56,748	87,152	-	-	-
484,375	-	132,566	-	-
<u>18,106,584</u>	<u>13,820,678</u>	<u>18,091,261</u>	<u>12,445,836</u>	<u>13,529,348</u>
<u>38,878,675</u>	<u>33,561,007</u>	<u>34,849,170</u>	<u>28,035,880</u>	<u>25,272,316</u>
14.20%	16.28%	11.72%	11.15%	12.39%
25.43%	28.94%	26.40%	30.46%	18.24%
1.64%	1.72%	0.35%	2.70%	1.19%
0.27%	0.34%	0.35%	0.64%	0.59%
0.78%	0.92%	0.75%	0.36%	0.45%
10.52%	10.14%	7.99%	9.53%	12.85%
0.58%	0.48%	0.53%	0.78%	0.76%
<u>53.43%</u>	<u>58.82%</u>	<u>48.09%</u>	<u>55.61%</u>	<u>46.47%</u>
35.99%	31.25%	29.13%	35.31%	43.13%
6.39%	6.86%	6.59%	7.41%	7.97%
1.57%	1.67%	14.73%	0.20%	1.41%
1.24%	1.14%	1.08%	1.47%	1.02%
0.15%	0.26%	0.00%	0.00%	0.00%
1.25%	0.00%	0.38%	0.00%	0.00%
<u>46.57%</u>	<u>41.18%</u>	<u>51.91%</u>	<u>44.39%</u>	<u>53.53%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Navarro College District

Expenses by Function and Changes in Net Assets Fiscal Years 2002 to 2008 (Unaudited)

	2008	2007
Instruction	\$ 14,955,025	13,753,775
Public service	157,488	125,816
Academic support	2,800,470	2,768,153
Student services	2,693,937	2,369,268
Institutional support	4,227,103	4,237,693
Operation and maintenance of plant	3,732,384	3,196,937
Scholarships and fellowships	1,493,871	1,271,148
Auxiliary enterprises	8,585,730	7,912,581
Depreciation	1,475,450	1,395,899
Total operating expenses	40,121,458	37,031,270
Bank fees	-	-
Loss on disposition of capital assets	2,153	-
Interest on capital related debt	1,378,430	1,215,469
Total non-operating expenses	1,380,583	1,215,469
Total expenses	\$ 41,502,041	38,246,739
Change in net assets	\$ 675,679	441,208
Instruction	36.03%	35.96%
Public service	0.38%	0.33%
Academic support	6.75%	7.24%
Student services	6.49%	6.19%
Institutional support	10.19%	11.08%
Operation and maintenance of plant	8.99%	8.36%
Scholarships and fellowships	3.60%	3.32%
Auxiliary enterprises	20.69%	20.69%
Depreciation	3.56%	3.65%
Total operating expenses	96.67%	96.82%
Bank fees	0.00%	0.00%
Loss on disposition of capital assets	0.01%	0.00%
Interest on capital related debt	3.32%	3.18%
Total non-operating expenses	3.33%	3.18%
Total expenses	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

For the Fiscal Year Ended August 31,

2006	2005	2004	2003	2002
13,296,066	12,500,569	11,621,720	11,673,577	9,631,145
135,365	123,866	19,341	16,109	113,734
3,101,135	2,255,733	1,754,738	1,784,211	2,437,694
2,294,807	1,636,654	1,532,696	1,621,629	1,694,395
3,990,424	3,161,359	2,870,416	2,473,797	2,494,828
3,250,343	2,453,004	2,234,986	2,013,947	2,054,046
2,309,532	2,325,806	564,981	592,402	1,057,714
7,324,740	6,851,913	6,125,073	5,454,594	3,556,582
1,283,753	1,091,485	755,684	666,374	599,763
<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>
-	-	300	85	3,675
-	-	-	-	-
<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,216</u>	<u>572,088</u>	<u>378,881</u>
<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,516</u>	<u>572,173</u>	<u>382,556</u>
<u>38,174,222</u>	<u>33,436,098</u>	<u>28,618,151</u>	<u>26,868,813</u>	<u>24,022,457</u>
<u>704,453</u>	<u>124,909</u>	<u>6,231,019</u>	<u>1,167,067</u>	<u>1,249,859</u>
34.83%	37.39%	40.61%	43.45%	40.09%
0.35%	0.37%	0.07%	0.06%	0.47%
8.12%	6.75%	6.13%	6.64%	10.15%
6.01%	4.89%	5.36%	6.04%	7.05%
10.45%	9.45%	10.03%	9.21%	10.39%
8.51%	7.34%	7.81%	7.50%	8.55%
6.05%	6.96%	1.97%	2.20%	4.40%
19.19%	20.49%	21.40%	20.30%	14.81%
<u>3.36%</u>	<u>3.26%</u>	<u>2.64%</u>	<u>2.48%</u>	<u>2.50%</u>
<u>96.89%</u>	<u>96.90%</u>	<u>96.02%</u>	<u>97.87%</u>	<u>98.41%</u>
0.00%	0.00%	0.00%	0.00%	0.02%
0.00%	0.00%	0.00%	0.00%	0.00%
<u>3.11%</u>	<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>	<u>1.58%</u>
<u>3.11%</u>	<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>	<u>1.59%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Navarro College District

Tuition and Fees
Last Ten Academic Years
(Unaudited)

Resident Students (1)

Fiscal Year (Fall)	Tuition		General Services Fee (2)	Matriculation Fee	Building Use Fee	Vehicle Registration Fee	
	In-District	Out-of-District					
2008	\$ 372	732	-	10	204	10	
2007	372	696	-	10	204	10	
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	-	
2000	264	(3) 408	42	10	72	-	
1999	216	336	42	10	72	-	

Technology Fee	Total Cost		Increase from Prior Year		Semester Credit Hours
	In-District	Out-of-District	In-District	Out-of-District	
-	596	956	0.00%	3.91%	16,783
-	596	920	13.74%	13.30%	15,663
-	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

(Continued)

Navarro College District

Tuition and Fees
Last Ten Academic Years
(Continued)

Non-Resident Students (1)

Fiscal Year (Fall)	Tuition	Out-of-District Fee	General Services Fee (2)	Matriculation Fee	Building Use Fee	Vehicle Registration Fee
2008	\$ 811	348	-	10	204	10
2007	809	324	-	10	204	10
2006	773	288	-	10	144	10
2005	677	252	-	10	132	10
2004	665	252	(4) -	(4) 10	132	10
2003	605	240	42	10	120	10
2002	570	192	42	10	72	10
2001	473	144	42	10	72	-
2000	473	(3) 144	42	10	72	-
1999	400	120	42	10	72	-

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

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

<u>Technology Fee</u>	<u>Total Cost</u>	<u>Increase from Prior Year</u>	<u>Semester Credit Hours</u>
-	1,383	1.92%	3,233
-	1,357	10.78%	2,738
-	1,225	13.32%	3,785
-	1,081	1.12%	4,025
-	1,069	4.09%	4,325
-	1,027	14.62%	5,542
-	896	20.92%	6,243
-	741	0.00%	7,027
-	(3) 741	7.08%	6,065
48	692	9.84%	4,586

Navarro College District

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

Fiscal Year	Assessed Valuation of Property	Less: Abatement and Exemptions	Net Taxable Assessed Value
2008	\$ 2,386,173,918	167,814,765	2,218,359,153
2007	2,075,341,228	116,607,628	1,958,733,600
2006	1,854,903,155	114,170,514	1,740,732,641
2005	1,726,100,913	101,238,919	1,624,861,994
2004	1,645,733,535	91,710,674	1,554,022,861
2003	1,573,712,142	87,692,484	1,486,019,658
2002	1,519,200,552	87,810,123	1,431,390,429
2001	1,453,887,211	96,622,396	1,357,264,815
2000	1,301,111,555	55,443,963	1,245,667,592
1999	1,196,054,824	56,743,224	1,139,311,600

Source: Navarro County Appraisal District

Note: Property is assessed at full market value.

Ratio of Taxable Value to Assessed Value	Estimated Actual Value	Direct Rate		
		Maintenance and Operations	Debt Service	Total
92.97%	\$ 2,386,173,918	0.12000	-	0.12000
94.38%	2,075,341,228	0.13500	-	0.13500
93.84%	1,854,903,155	0.14050	-	0.14050
94.13%	1,726,100,913	0.14050	-	0.14050
94.43%	1,645,733,535	0.14050	-	0.14050
94.43%	1,573,712,142	0.14050	-	0.14050
94.22%	1,519,200,552	0.14177	-	0.14177
93.35%	1,453,887,211	0.14177	-	0.14177
95.74%	1,301,111,555	0.12180	-	0.12180
95.26%	1,196,054,824	0.12180	-	0.12180

Navarro College District

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Navarro College District	\$ 0.1200	0.1350	0.1405	0.1405
County:				
Navarro County	0.5754	0.5973	0.6243	0.6246
Cities:				
Barry	0.3237	0.3279	0.3345	0.3380
Blooming Grove	0.4880	0.5000	0.4940	0.4383
Corsicana	0.6272	0.6272	0.6272	0.5995
Dawson	0.3783	0.4143	0.4516	0.4335
Emhouse	0.3332	0.3332	0.3341	0.3377
Frost	0.5000	0.5000	0.5000	0.4834
Good Low	0.8970	0.1000	0.1000	0.1000
Kerens	0.6329	0.6584	0.6107	0.5500
Rice	0.3100	0.3200	0.3063	0.2675
Richland	0.2068	0.2009	0.2056	0.2082
School Districts:				
Blooming Grove	1.1231	1.4530	1.5830	1.5781
Corsicana	1.2850	1.5038	1.6746	1.5208
Dawson	1.2900	1.3700	1.5000	1.5000
Frost	1.1550	1.4600	1.5650	1.5300
Kerens	1.1000	1.3060	1.4000	1.4000
Mildred	1.2427	1.3027	1.4220	1.4220
Rice	1.1809	1.4882	1.5896	1.5720

Source: Navarro County Appraisal District

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

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
0.1405	0.1418	0.14180	0.12180	0.1218	0.1218
0.5860	0.5496	0.5496	0.5496	0.5496	0.5058
0.3380	0.3380	0.3401	0.3401	0.3401	0.3401
0.4365	0.4387	0.4300	0.4300	0.4300	0.4305
0.5995	0.5995	0.5995	0.5995	0.5995	0.5995
0.4334	0.4268	0.4218	0.4213	0.4080	0.4060
0.3377	0.3377	0.3377	0.3377	0.3228	0.3401
0.4983	0.4900	0.4900	0.5000	0.5202	0.5297
-	-	-	-	-	-
0.5500	0.5500	0.5165	0.4999	0.4833	0.4833
0.2500	0.2294	0.2294	0.2172	0.2147	0.2147
0.2079	0.1964	0.2168	0.2301	0.2399	0.2572
1.5000	1.5000	1.5000	1.5500	1.5500	1.5500
1.4908	1.4908	1.4908	1.3499	1.5186	1.4686
1.5000	1.5000	1.5000	1.5000	1.4200	1.3660
1.4300	1.4300	1.4000	1.4000	1.4000	1.4000
1.4000	1.4000	1.3300	1.3300	1.3300	1.2300
1.4220	1.4220	1.4220	1.4220	1.4220	1.4220
1.5822	1.5696	1.5367	1.5188	1.5092	1.4956

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Unaudited)

Taxpayer	Type of Business			
		2007	2006	2005
AP&P Mfg. Inc.	Manufacturer	\$ -	-	-
Burlington Northern Santa Fe	Railroad	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Corsicana Technologies, Inc.	Manufacturer	-	14,288,340	-
Cotter & Company	Oil Distribution	-	-	-
Energy Transfer Fuel LP	Electric Company	29,956,070	20,924,160	-
Equilon Pipeline Company	Oil Distribution	-	-	-
General Tel Co. of SW	Telephone Company	-	-	-
Guardian Industry	Glass Manufacturer	31,867,020	35,066,100	30,321,450
Guardian Industry - Abated	Glass Manufacturer	36,583,990	-	18,249,660
Home Depot	Retail Distribution	61,084,750	37,313,868	-
K-Mart Corporation	Retail Distribution	-	-	-
Kohl's Distribution	Retail Distribution	19,001,110	-	11,238,160
KRCV, Corp	Banking	-	-	-
Magellan Pipeline Co, LP	Pipeline Company	19,760,200	16,695,070	-
Mobil Pipeline	Oil Distribution	-	-	-
National Industrial Portfolio Borro	Real Estate Investment	19,051,900	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Oncor Electric Delivery	Electric Utility	48,008,780	-	-
Pactiv-Foam	Foam Manufacturer	-	-	14,431,380
Pactiv-Foam - Abated	Foam Manufacturer	-	-	7,491,480
Russell Stover Candies - Abated	Candy Manufacturer	47,028,340	26,029,795	27,311,080
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	11,558,680
Sunoco Pipeline LP	Pipeline Company	-	16,331,100	-
Swift Transportation	Transportation	-	-	-
Tenneco	Automotive	-	-	-
Toms Foods, Inc.	Manufacturer	-	-	-
True Value Co. - Non-Abated	Retail Distribution	25,173,180	24,754,330	-
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abate	Retail Distribution	-	-	22,615,740
TXI Operations LP	Manufacturer	-	13,809,390	-
TXU Electric	Electric Company	-	46,825,980	45,837,720
Union Pacific	Railroad	-	-	13,088,980
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
Totals		\$ <u>337,515,340</u>	<u>252,038,133</u>	<u>202,144,330</u>
Net taxable assessed value		\$ <u>2,218,359,153</u>	<u>1,958,733,600</u>	<u>1,740,732,641</u>

Taxable Assessed Value

2004	2003	2002	2001	2000	1999	1998
-	-	-	-	11,359,000	-	-
-	-	-	7,980,950	-	-	-
-	11,406,370	6,115,150	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	15,192,644
-	-	-	-	-	-	-
-	-	-	8,596,160	-	-	-
-	-	-	-	-	-	6,955,520
27,881,140	47,066,430	30,638,830	47,135,040	31,228,970	36,193,760	36,708,390
19,030,070	-	-	-	10,322,940	-	-
-	-	-	-	-	-	-
-	52,168,950	57,350,490	51,898,560	56,932,860	73,198,220	65,378,459
-	-	-	-	-	-	-
-	-	-	-	-	7,485,050	7,485,050
-	-	-	-	-	-	-
-	-	-	8,735,700	10,602,840	7,828,110	7,478,770
-	-	-	-	-	-	-
-	11,683,940	6,118,700	-	-	-	-
-	15,792,250	7,342,500	-	-	-	-
42,837,170	-	-	42,574,490	-	-	-
14,076,830	30,638,830	11,796,340	12,344,980	-	-	-
6,655,720	-	-	-	-	-	-
25,355,140	21,916,170	8,499,420	33,779,360	80,562,770	28,758,370	-
-	11,796,340	6,268,350	-	-	-	-
-	-	-	12,431,050	12,476,880	12,437,990	13,122,380
-	-	-	-	-	-	-
13,458,916	-	-	-	-	-	10,331,340
-	-	-	-	-	20,473,290	7,534,420
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,565,510	-	-	-	11,418,440	11,379,500	-
22,179,070	42,863,960	21,916,170	33,537,390	24,865,540	13,811,850	-
-	-	-	-	-	-	-
-	-	-	-	31,225,230	29,486,290	27,369,120
13,393,540	-	-	-	-	-	-
-	12,188,290	6,511,390	-	-	-	-
195,433,106	257,521,530	162,557,340	259,013,680	280,995,470	241,052,430	197,556,093
1,624,861,994	1,554,022,861	1,486,019,658	1,431,390,429	1,357,264,815	1,245,667,592	1,139,311,600

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Continued)

Taxpayer	Type of Business			
		2007	2006	2005
AP&P MFG, Inc	Manufacturer	-	-	-
Burlington Northern Santa Fe	Railroad	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Corsicana Technologies, Inc.	Manufacturer	-	0.73%	-
Cotter & Company	Oil Distribution	-	-	-
Energy Transfer Fuel LP	Electric Company	1.35%	1.07%	-
Equilon Pipeline Company	Oil Distribution	-	-	-
General Tel Co. of SW	Telephone Company	-	-	-
Guardian Industry	Glass Manufacturer	1.44%	1.79%	1.74%
Guardian Industry - Abated	Glass Manufacturer	1.65%	-	1.05%
Home Depot	Retail Distribution	2.75%	1.90%	-
K-Mart Corporation	Retail Distribution	-	-	-
Kohl's Distribution	Retail Distribution	0.86%	-	0.65%
KRCV, Corp	Banking	-	-	-
Magellan Pipeline Co, LP	Pipeline Company	0.89%	0.85%	-
Mobil Pipeline	Oil Distribution	-	-	-
National Industrial Portfolio Borro	Real Estate Investment	0.86%	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Oncor Electric Delivery	Electric Utility	2.16%	-	-
Pactiv-Foam	Foam Manufacturer	-	-	0.83%
Pactiv-Foam - Abated	Foam Manufacturer	-	-	0.43%
Russell Stover Candies - Abated	Candy Manufacturer	2.12%	1.33%	1.57%
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	0.66%
Sunoco Pipeline LP	Pipeline Company	-	0.83%	-
Swift Transportation	Transportation	-	-	-
Tenneco	Automotive	-	-	-
Toms Foods, Inc.	Manufacturer	-	-	-
True Value Co. - Non-Abated	Retail Distribution	1.13%	1.26%	-
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abate	Retail Distribution	-	-	1.30%
TXI Operations LP	Manufacturer	-	0.71%	-
TXU Electric	Electric Company	-	2.39%	2.63%
Union Pacific	Railroad	-	-	0.75%
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
		<u>15.21%</u>	<u>12.87%</u>	<u>11.61%</u>

Source: Navarro County Appraisal District

Taxable Assessed Value

2004	2003	2002	2001	2000	1999	1998
-	-	-	-	0.84%	-	-
-	-	-	0.56%	-	-	-
-	0.73%	0.41%	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1.33%
-	-	-	-	-	-	-
-	-	-	0.60%	-	-	-
-	-	-	-	-	-	0.61%
1.72%	3.03%	2.06%	3.29%	2.30%	2.91%	3.22%
1.17%	-	-	-	0.76%	-	-
-	-	-	-	-	-	-
-	3.36%	3.86%	3.63%	4.19%	5.88%	5.74%
-	-	-	-	-	-	-
-	-	-	-	-	0.60%	0.66%
-	-	-	-	-	-	-
-	-	-	0.61%	0.78%	0.63%	0.66%
-	-	-	-	-	-	-
-	0.75%	0.41%	-	-	-	-
-	1.02%	0.49%	-	-	-	-
2.64%	-	-	2.97%	-	-	-
0.87%	1.97%	0.79%	0.86%	-	-	-
0.41%	-	-	-	-	-	-
1.56%	1.41%	0.57%	2.36%	5.94%	2.31%	-
-	0.76%	0.42%	-	-	-	-
-	-	-	0.87%	0.92%	1.00%	1.15%
-	-	-	-	-	-	-
0.83%	-	-	-	-	-	0.91%
-	-	-	-	-	1.64%	0.66%
-	-	-	-	-	-	-
-	-	-	-	-	-	-
0.65%	-	-	-	0.84%	0.91%	-
1.36%	2.76%	1.47%	2.34%	1.83%	1.11%	-
-	-	-	-	-	-	-
-	-	-	-	2.30%	2.37%	2.40%
0.82%	-	-	-	-	-	-
-	0.78%	0.44%	-	-	-	-
<u>12.03%</u>	<u>16.57%</u>	<u>10.94%</u>	<u>18.10%</u>	<u>20.70%</u>	<u>19.35%</u>	<u>17.34%</u>

Navarro College District

Property Tax Levies and Collections
Fiscal Years 2000 to 2008
(Unaudited)

Fiscal Year	Original Levy	Cumulative Levy Adjustments	Total Adjusted Tax Levy
2008	\$ 2,661,925	(1,264)	2,660,661
2007	2,644,308	2,237	2,646,545
2006	2,445,735	(11,085)	2,434,650
2005	2,282,942	(2,904)	2,280,038
2004	2,183,412	(794)	2,182,618
2003	2,087,767	(3,057)	2,084,710
2002	2,011,112	(1,984)	2,009,128
2001	1,924,185	(2,818)	1,921,367
2000	1,516,856	(2,265)	1,514,591

Source: Navarro County Tax Assessor-Collector (According to Navarro County Tax Assessor-Collector, only fiscal years 2000 - 2008 are available.)

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

Collections- Year of Levy			Collections in Subsequent Years	Total Collections To Date	
Amount	Percent			Amount	Percent
2,568,362	96.53%	\$	-	2,568,362	96.53%
2,571,228	97.15%		41,863	2,613,091	98.74%
2,347,645	96.43%		59,885	2,407,530	98.89%
2,191,308	96.11%		68,348	2,259,656	99.11%
2,082,706	95.42%		77,902	2,160,608	98.99%
1,920,141	92.11%		135,258	2,055,399	98.59%
1,809,594	90.07%		171,086	1,980,680	98.58%
1,825,326	95.00%		72,563	1,897,889	98.78%
1,438,154	94.95%		61,803	1,499,957	99.03%

Navarro College District

Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

	2008	2007	2006
General Bonded Debt			
General obligation bonds	\$ -	-	-
Other Debt			
Revenue bonds	25,882,413	26,781,121	23,740,000
Notes payable	97,994	154,547	254,122
Capital lease obligations	4,321,116	4,436,116	4,696,384
Total other debt	30,301,523	31,371,784	28,690,506
Total outstanding debt	\$ 30,301,523	31,371,784	28,690,506
Total Outstanding Debt Ratios			
Per capita	\$ 615	631	591
Per student	2,391	2,630	2,560
As a percentage of taxable assessed value	1.37%	1.59%	1.65%
As a percentage of personal income	2.40%	2.65%	2.59%

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,						
2005	2004	2003	2002	2001	2000	1999
-	-	-	-	-	-	-
20,490,000	20,715,000	20,715,000	5,575,496	6,178,871	5,254,971	2,695,000
448,093	915,863	1,131,727	1,338,398	1,149,462	1,290,400	1,438,057
4,857,779	235,196	381,961	223,873	302,626	374,801	-
<u>25,795,872</u>	<u>21,866,059</u>	<u>22,228,688</u>	<u>7,137,767</u>	<u>7,630,959</u>	<u>6,920,172</u>	<u>4,133,057</u>
<u><u>25,795,872</u></u>	<u><u>21,866,059</u></u>	<u><u>22,228,688</u></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>
532	454	469	153	166	153	93
2,413	2,205	2,469	903	1,082	1,067	669
1.59%	1.41%	1.50%	0.50%	0.56%	0.56%	0.36%
2.43%	2.15%	2.24%	0.74%	0.81%	0.77%	0.48%

Navarro College District

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Taxable Assessed Value	\$ <u>2,218,359,153</u>	<u>1,958,733,600</u>	<u>1,740,732,641</u>	<u>1,624,861,994</u>
General Obligation Bonds				
Statutory tax levy limit for debt service	\$ 11,091,796	9,793,668	8,703,663	8,124,310
Current year debt service requirements requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 11,091,796</u>	<u>9,793,668</u>	<u>8,703,663</u>	<u>8,124,310</u>
Net current requirements as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%

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

For the Year Ended August 31					
<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>1,554,022,861</u>	<u>1,486,019,658</u>	<u>1,431,390,429</u>	<u>1,357,264,815</u>	<u>1,245,667,592</u>	<u>1,139,311,600</u>
7,770,114	7,430,098	7,156,952	6,786,324	6,228,338	5,696,558
-	-	-	-	-	-
<u>7,770,114</u>	<u>7,430,098</u>	<u>7,156,952</u>	<u>6,786,324</u>	<u>6,228,338</u>	<u>5,696,558</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Navarro College District

Pledged Revenue Coverage Last Ten Fiscal Years (Unaudited)

Fiscal Year	Pledged Revenues					
	Tuition Pledged (1)	Building Fee	Out of District Fee (2)	Other Fees (2)	Pledged Auxiliary Revenue	Less Auxiliary Expenses
2008	\$ 263,580	2,775,032	3,456,736	939,215	7,707,995	6,569,444
2007	263,768	1,982,253	2,902,250	820,493	7,138,751	5,965,548
2006	237,668	1,638,960	2,501,509	764,721	6,892,938	5,593,455
2005	221,460	1,586,746	2,358,743	788,544	6,562,232	5,003,324
2004	206,535	1,206,054	2,063,395	872,453	5,925,334	4,770,100
2003	182,828	918,247	1,502,253	728,396	5,332,367	4,297,630
2002	153,120	648,194	-	-	3,161,285	2,351,960
2001	139,927	581,584	-	-	4,124,306	2,777,307
2000	120,323	530,523	-	-	4,036,744	2,945,268
1999	114,953	503,030	-	-	3,302,757	2,066,997

Notes:

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

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

			Debt Service Requirements			
Net Available	Interest Income	Total	Principal	Interest	Total	Coverage Ratio
8,573,114	322,120	8,895,234	845,000	1,205,495	2,050,495	4.34
7,141,967	364,969	7,506,936	670,000	1,107,889	1,777,889	4.22
6,442,341	263,299	6,705,640	300,000	952,620	1,252,620	5.35
6,514,401	132,811	6,647,212	225,000	957,120	1,182,120	5.62
5,503,671	116,391	5,620,062	-	994,341	994,341	5.65
4,366,461	102,770	4,469,231	500,000	28,500	528,500	8.46
1,610,639	18,889	1,629,528	603,375	305,136	908,511	1.79
2,068,510	82,737	2,151,247	576,100	274,803	850,903	2.53
1,742,322	36,240	1,778,562	535,029	194,499	729,528	2.44
1,853,743	47,388	1,901,131	470,000	147,323	617,323	3.08

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
2007	49,396	\$ 1,266,154,353	25,577	5.0%
2006	49,440	1,177,303,270	24,177	5.7%
2005	48,525	1,126,606,000	23,136	5.4%
2004	48,215	1,060,397,000	21,993	5.7%
2003	47,386	1,016,509,000	21,463	6.2%
2002	46,799	991,316,000	21,180	6.0%
2001	46,036	966,894,000	21,003	5.4%
2000	45,124	944,452,000	20,835	3.9%
1999	44,440	899,224,000	20,235	N/A
1998	43,682	855,155,000	19,577	N/A

Source: Texas Workforce Commission

Note: The 2006 personal income amounts are not yet available and were estimated based on 2005.

Navarro College District

Principal Employers
Last Three Fiscal Years
(Unaudited)

Employer	2008		2007		2006	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
Navarro College (includes part time)	886	4.52%	851	4.31%	827	3.97%
Russell Stover Candies	825	4.20%	825	4.18%	859	4.12%
Corsicana ISD	802	4.09%	802	4.06%	879	4.22%
Collin Street Bakery (seasonal)	766	3.90%	766	3.88%	700	3.36%
Guardian Industries, Corp.	390	1.99%	390	1.98%	367	1.76%
Navarro Regional Hospital	350	1.78%	350	1.77%	377	1.81%
Texas Youth Commission	338	1.72%	338	1.71%	335	1.61%
City of Corsicana (includes part time)	304	1.55%	304	1.54%	335	1.61%
Navarro County	284	1.45%	284	1.44%	282	1.35%
Oil City Iron Works	200	1.02%	200	1.01%	224	1.08%
Kohl's Distribution Center	200	1.02%	200	1.01%	175	0.84%
Corsicana Bedding	190	0.97%	190	0.96%	180	0.86%
Lance	170	0.87%	170	0.86%	146	0.70%
Trinity Mother Francis Medical Center	156	0.80%	156	0.79%	120	0.58%
Home Depot Distribution Center	155	0.79%	155	0.79%	-	0.00%
Tru-Serve Distribution Center	152	0.77%	152	0.77%	150	0.72%
Total	6,168	31.44%	6,133	31.07%	5,956	28.58%

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

Note: Similar information for the seven 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
2008	\$ 12,124,659	12,697	\$ 955
2007	10,587,066	11,866	892
2006	10,587,066	11,207	945
2005	10,121,395	10,691	947
2004	10,153,252	9,916	1,024
2003	9,900,296	9,004	1,100
2002	10,901,088	7,910	1,378
2001	8,468,925	7,055	1,200
2000	8,014,405	6,485	1,236
1999	7,834,241	6,180	1,268

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
2,512,272	1,191,867	3,704,139	\$ 3.27
2,457,624	895,344	3,352,968	3.16
2,450,256	713,896	3,164,152	3.35
2,350,836	673,660	3,024,496	3.35
2,222,272	616,268	2,838,540	3.58
2,007,904	605,132	2,613,036	3.79
1,794,914	585,720	2,380,634	4.58
1,578,816	560,304	2,139,120	3.96
1,318,816	659,912	1,978,728	4.05
1,189,000	691,228	1,880,228	4.17

Navarro College District

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Faculty				
Full-Time	112	112	105	100
Part-Time	<u>361</u>	<u>326</u>	<u>312</u>	<u>309</u>
Total	<u><u>473</u></u>	<u><u>438</u></u>	<u><u>417</u></u>	<u><u>409</u></u>
Full-Time	23.7%	25.6%	25.2%	24.4%
Part-Time	<u>76.3%</u>	<u>74.4%</u>	<u>74.8%</u>	<u>75.6%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>
Average Annual Faculty Salary	\$ <u><u>47,585</u></u>	<u><u>49,393</u></u>	<u><u>45,427</u></u>	<u><u>42,623</u></u>
Staff and Administrators				
Full-Time	196	187	176	164
Part-Time	<u>132</u>	<u>110</u>	<u>42</u>	<u>31</u>
Total	<u><u>328</u></u>	<u><u>297</u></u>	<u><u>218</u></u>	<u><u>195</u></u>
Full-Time	59.8%	63.0%	80.7%	84.1%
Part-Time	<u>40.2%</u>	<u>37.0%</u>	<u>19.3%</u>	<u>15.9%</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>

2004	2003	2002	2001	2000	1999
98	90	75	N/A	80	N/A
297	320	213	N/A	154	N/A
395	410	288	N/A	234	N/A
24.8%	22.0%	26.0%	N/A	34.2%	N/A
75.2%	78.0%	74.0%	N/A	65.8%	N/A
100.0%	100.0%	100.0%	N/A	100.0%	N/A
42,027	41,526	N/A	N/A	38,292	36,443
156	148	112	N/A	129	NA
31	38	11	N/A	11	NA
187	186	123	N/A	140	N/A
83.4%	79.6%	91.1%	N/A	92.1%	N/A
16.6%	20.4%	8.9%	N/A	7.9%	N/A
100.0%	100.0%	100.0%	N/A	100.0%	N/A

Navarro College District

Enrollment Details
Last Seven Fiscal Years
(Unaudited)

	Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent
<u>Student Classification</u>						
00-30 hours	5,410	71.56%	6,593	89.02%	5,204	80.67%
31-60 hours	1,461	19.33%	406	5.48%	764	11.84%
> 60 hours	689	9.11%	407	5.50%	483	7.49%
Total	7,560	100.00%	7,406	100.00%	6,451	100.00%
<u>Semester Hour Load</u>						
Less than 3	385	5.09%	512	6.91%	27	0.42%
3-5 semester hours	1,494	19.76%	1,451	19.59%	1,214	18.82%
6-8 semester hours	1,414	18.70%	1,267	17.11%	1,131	17.53%
9-11 semester hours	885	11.71%	842	11.37%	737	11.42%
12-14 semester hours	1,948	25.77%	2,001	27.02%	2,076	32.18%
15-17 semester hours	1,148	15.19%	1,070	14.45%	980	15.19%
18 & over	286	3.78%	263	3.55%	286	4.43%
Total	7,560	100.00%	7,406	100.00%	6,451	100.00%
<u>Tuition Status</u>						
Texas Resident (in-District)	1,645	21.76%	1,729	23.35%	1,348	20.90%
Texas Resident (out-of-District)	5,669	74.99%	5,392	72.81%	4,791	74.27%
Non-Resident Tuition	246	3.25%	285	3.85%	312	4.84%
Total	7,560	100.00%	7,406	100.00%	6,451	100.00%

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

Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent	Number	Percent
4,508	74.90%	4,292	76.59%	4,099	80.18%	3,655	82.86%
1,011	16.80%	925	16.51%	1,010	19.76%	755	17.12%
500	8.31%	387	6.91%	3	0.06%	1	0.02%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
28	0.47%	65	1.16%	24	0.47%	28	0.63%
1,158	19.24%	1,096	19.56%	1,007	19.70%	818	18.54%
1,009	16.76%	848	15.13%	759	14.85%	659	14.94%
551	9.15%	540	9.64%	456	8.92%	390	8.84%
1,901	31.58%	1,855	33.10%	1,632	31.92%	1,333	30.22%
1,055	17.53%	912	16.27%	883	17.27%	835	18.93%
317	5.27%	288	5.14%	351	6.87%	348	7.89%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
1,273	21.15%	1,272	22.70%	1,213	23.73%	1,042	23.62%
4,424	73.50%	3,932	70.16%	3,418	66.86%	2,888	65.47%
322	5.35%	400	7.14%	481	9.41%	481	10.90%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>

Navarro College District

Student Profile
Last Seven Fiscal Years
(Unaudited)

	Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent
Gender						
Female	4,733	62.61%	4,583	61.88%	4,006	62.10%
Male	2,827	37.39%	2,823	38.12%	2,445	37.90%
Total	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>
Ethnic Origin						
White	4,842	64.05%	4,802	64.84%	4,170	64.64%
Hispanic	1,451	19.19%	1,332	17.99%	701	10.87%
African American	995	13.16%	956	12.91%	1,295	20.07%
Asian	56	0.74%	71	0.96%	48	0.74%
Foreign	160	2.12%	183	2.47%	204	3.16%
Native American	53	0.70%	50	0.68%	33	0.51%
Other	3	0.04%	12	0.16%	-	0.00%
Total	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>
Age						
Under 18	1,750	23.15%	1,854	25.03%	1,029	15.95%
18 - 21	3,079	40.73%	2,984	40.29%	2,939	45.56%
22 - 24	654	8.65%	651	8.79%	668	10.35%
25 - 35	1,177	15.57%	1,110	14.99%	1,091	16.91%
36 - 50	762	10.08%	702	9.48%	617	9.56%
51 & over	138	1.83%	105	1.42%	107	1.66%
Total	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>
Average Age	23		23		24	

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

Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent	Number	Percent
3,776	62.73%	3,464	61.81%	3,072	60.09%	2,545	57.70%
2,243	37.27%	2,140	38.19%	2,040	39.91%	1,866	42.30%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>

3,906	64.89%	3,625	64.69%	3,265	63.87%	2,829	64.14%
612	10.17%	535	9.55%	454	8.88%	343	7.78%
1,195	19.85%	1,074	19.16%	959	18.76%	784	17.77%
42	0.70%	43	0.77%	32	0.63%	26	0.59%
239	3.97%	302	5.39%	388	7.59%	408	9.25%
25	0.42%	25	0.45%	14	0.27%	21	0.48%
-	0.00%	-	0.00%	-	0.00%	-	0.00%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>

1,035	17.20%	842	15.02%	695	13.60%	656	14.87%
2,656	44.13%	2,599	46.38%	2,470	48.32%	2,217	50.26%
618	10.27%	558	9.96%	494	9.66%	411	9.32%
1,019	16.93%	955	17.04%	821	16.06%	607	13.76%
577	9.59%	546	9.74%	539	10.54%	447	10.13%
114	1.89%	104	1.86%	93	1.82%	73	1.65%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>

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Navarro College District

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

Name	2006 - 2007 Graduate as of Fall 2007				
	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	6	1	1	8	0.63%
2 Lamar University	2	-	1	3	0.24%
3 Midwestern State University	8	2	1	11	0.86%
4 Prairie View A&M University	6	-	-	6	0.47%
5 Sam Houston State University	105	5	3	113	8.86%
6 Stephen F. Austin State University	64	2	4	70	5.49%
7 Sul Ross State University	2	-	-	2	0.16%
8 Sul Ross State University - Rio Grande College	1	-	-	1	0.08%
9 Tarleton State University	54	2	6	62	4.86%
10 Texas A&M International University	1	-	-	1	0.08%
11 Texas A&M University	140	-	1	141	11.05%
12 Texas A&M University at Commerce	221	14	11	246	19.28%
13 Texas A&M University at Corpus Christi	4	-	-	4	0.31%
14 Texas A&M University at Galveston	3	-	-	3	0.24%
15 Texas A&M University at Kingsville	1	-	-	1	0.08%
16 Texas Southern University	4	-	1	5	0.39%
17 Texas State University	42	-	3	45	3.53%
18 Texas Tech University	88	1	1	90	7.05%
19 Texas Woman's University	14	8	2	24	1.88%
20 The University of Texas - Pan American	2	-	-	2	0.16%
21 The University of Texas at Arlington	146	4	5	155	12.15%
22 The University of Texas at Austin	44	-	6	50	3.92%
23 The University of Texas at Dallas	18	1	-	19	1.49%
24 The University of Texas at El Paso	-	-	-	-	0.00%
25 The Univeristy of Texas at San Antonio	5	-	-	5	0.39%
26 The University of Texas at Tyler	49	3	4	56	4.39%
27 The University of Texas of the Permian Basin	-	-	-	-	0.00%
28 University of Houston	5	-	1	6	0.47%
29 University of Houston at Clear Lake	1	-	-	1	0.08%
30 University of Houston at Victoria	2	-	-	2	0.16%
31 University of North Texas	133	3	6	142	11.13%
32 West Texas A&M University	2	-	-	2	0.16%
Totals	1,173	46	57	1,276	100.00%

Source: Texas Higher Education Coordinating Board

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

2005 - 2006 Graduate as of Fall 2006					2004 - 2005 Graduates as of Fall 2005				
Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
Academic	Technical	Tech-Prep			Academic	Technical	Tech-Prep		
2	-	-	2	0.17%	11	-	1	12	1.12%
3	-	-	3	0.25%	6	1	-	7	0.65%
14	-	2	16	1.35%	4	-	-	4	0.37%
4	-	-	4	0.34%	8	2	1	11	1.03%
95	4	1	100	8.42%	77	6	1	84	7.85%
58	1	2	61	5.14%	53	-	1	54	5.05%
2	-	-	2	0.17%	-	-	-	-	0.00%
-	-	-	-	0.00%	-	-	-	-	0.00%
51	3	2	56	4.72%	49	3	1	53	4.95%
-	-	-	-	0.00%	-	-	-	-	0.00%
143	-	1	144	12.13%	151	5	3	159	14.86%
220	4	9	233	19.63%	230	6	3	239	22.34%
8	-	-	8	0.67%	6	1	-	7	0.65%
-	-	-	-	0.00%	3	-	-	3	0.28%
1	1	-	2	0.17%	2	-	-	2	0.19%
9	1	-	10	0.84%	9	-	-	9	0.84%
47	-	1	48	4.04%	42	1	-	43	4.02%
54	-	1	55	4.63%	54	-	-	54	5.05%
22	3	1	26	2.19%	14	5	-	19	1.78%
-	-	-	-	0.00%	2	-	-	2	0.19%
148	3	1	152	12.81%	106	1	2	109	10.19%
49	-	2	51	4.30%	41	1	1	43	4.02%
15	-	1	16	1.35%	11	-	-	11	1.03%
1	-	-	1	0.08%	-	-	-	-	0.00%
3	-	-	3	0.25%	5	-	-	5	0.47%
45	5	4	54	4.55%	39	6	2	47	4.39%
2	-	-	2	0.17%	-	-	-	-	0.00%
6	-	-	6	0.51%	3	-	-	3	0.28%
-	1	-	1	0.08%	1	-	-	1	0.09%
-	-	-	-	0.00%	-	-	-	-	0.00%
122	2	3	127	10.70%	84	3	-	87	8.13%
4	-	-	4	0.34%	2	-	-	2	0.19%
<u>1,128</u>	<u>28</u>	<u>31</u>	<u>1,187</u>	<u>100.00%</u>	<u>1,013</u>	<u>41</u>	<u>16</u>	<u>1,070</u>	<u>100.00%</u>

Navarro College District

Capital Asset Information
Fiscal Years 2002 to 2008
(Unaudited)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Academic buildings	12	10	10	10	9	9	9
Square footage (in thousands)	260,737	228,522	228,522	209,446	199,990	201,632	187,632
Libraries	3	1	1	1	1	1	1
Square footage (in thousands)	29,998	28,000	28,000	34,920	34,920	34,920	43,412
Number of Volumes (in thousands)	53,669	53,055	65,000	64,000	63,000	62,000	61,000
Administrative and support buildings	2	2	2	1	1	1	1
Square footage (in thousands)	90,897	90,897	90,897	55,977	55,977	55,686	55,686
Dormitories/Apartments	22	22	21	20	19	19	18
Square footage (in thousands)	150,362	150,362	145,422	139,602	126,674	141,992	128,922
Number of Beds	818	816	815	783	719	687	623
Dining Facilities	1	1	1	1	1	1	1
Square footage (in thousands)	22,100	22,100	22,100	19,076	19,076	19,400	19,400
Average daily customers	904	861	861	827	759	725	657
Athletic Facilities	5	5	5	5	5	5	5
Square footage (in thousands)	66,416	66,416	66,416	66,416	66,416	67,944	67,944
Gymnasiums/Weight Room	2	2	2	2	2	2	2
Tennis Court	0	3	3	3	3	3	3
Physical Plant Facilities	1	1	1	1	1	1	1
Square footage (in thousands)	9,492	9,492	9,492	9,492	9,492	10,994	10,994
Transportation	35	34	34	34	31	27	27
Cars	7	4	4	5	5	3	3
Light Trucks/Vans	25	27	27	26	23	24	24
Buses	3	3	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, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

Internal Control Over Financial Reporting (continued)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

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

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

Jaynes, Reitzmeier, Boyd & Threlkell, P.C.

December 2, 2008



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 and Uniform Grant Management Standards

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, 2008. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with the *Uniform Grant Management Standards*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2008-2.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2008-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the District's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, 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, Reitmeier, Boyd & Threlkell, P.C.

December 2, 2008

Navarro College District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2008

(1) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant control deficiencies 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
- Significant control deficiencies 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 section 510(a) of Circular A-133? _____ yes x no

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant control deficiencies 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 Uniform Grant Management Standards? x yes _____ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.032	Federal Family Educational Loan Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.375A	Academic Competiveness Grant
84.042A	TRIO - Student Support Services

Identification of major state programs:

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

Dollar threshold used to distinguish between type A and type B federal programs: \$326,798

Dollar threshold used to distinguish between type A and type B state programs: \$300,000

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

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

Navarro College District

Schedule of Findings and Questioned Costs (Continued)

(2) Financial Statement Findings

Finding 2008-1: Improve Perpetual Inventory Records for Bookstore Inventory

The District maintains perpetual inventory records for bookstore inventory and takes a physical inventory at year end. Subsequent to the August 31, 2008 physical count, District management personnel determined that certain adjustments of the perpetual records to actual counts had not been made. Therefore, the perpetual records were not reliable and an adjustment to them was made. We understand that management of the District has implemented the procedures listed below in order to ensure the accuracy of the perpetual records:

- Formal scheduling of items to be cycle counted weekly and monthly and periodic management review to assure adherence to the schedule.
- Reconciliation of perpetual records and actual cycle counts.
- Follow-up to determine the causes for differences so that procedural weaknesses may be remedied.
- Periodic reporting to appropriate District personnel

We concur with management's plan for improvement of controls over bookstore inventory, and encourage timely follow-up and remediation of any procedural weaknesses identified. The procedures listed above will help the District focus its efforts on more timely detection and correction of errors in the perpetual records. Once the perpetual records have been determined to be reliable representations of actual quantities, an effective cycle counting program will maintain reliability on a continuing basis and could reduce the need for annual physical inventories.

Navarro College District

Schedule of Findings and Questioned Costs
(Continued)

(3) Federal Award Findings and Questioned Costs

None

(4) State Award Findings and Questioned Costs

Finding 2008-2: Eligibility for Texas Educational Opportunity Grant (TEOG) Program

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

To improve compliance in this area, we suggest that the Registrar's Office review its standard policies and procedures to ensure accurate posting of the type of high school diploma received by a student. Additionally, the Registrar's Office should develop a communication system to inform the Financial Aid Department of changes in student information that could impact financial aid eligibility. Implementation of these policies and procedures should improve the accuracy of the information provided by the Registrar's Office, which will improve compliance with state financial aid guidelines.

Navarro College District

Summary Schedule of Prior Audit Findings

August 31, 2008

Finding 2007-2: 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

Criteria, Finding and Recommendation: 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 four instances in which the Title IV refund was not made in a timely manner. We understand that these instances occurred because the withdrawal date posted by the Registrar's Office was after the withdrawal date noted on the student's drop slip.

As we suggested in our previous report dated November 8, 2006, to improve compliance in these areas, we suggest that the Registrar's Office review its standard policies and procedures to ensure proper documentation and accurate 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.

Current Status

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

Corrective action taken: A complete review of Navarro College's drop policies was conducted by the Registrar. Finding culminated in a written policy with regards to drops for the institution. This policy, which coincides with the HB 1231 policy mandated by the State of Texas, was compiled by a select committee made up of administrators, faculty, and staff members. The committee's proposals were referred to the President, who in turn submitted them to the Board of Trustees for approval and inclusion in the Official Navarro College Institutional Policy Manual.

As part of this comprehensive policy, the Registrar redesigned the course drop form; communicated new procedures to all personnel designed to insure that drops are processed within an acceptable time frame, and implemented mandatory training for all personnel who perform admissions and records functions.

Navarro College District

Corrective Action Plan

August 31, 2008

Finding 2008-1

Contact person responsible for correction action: Aaron S. York, Business Manager

Corrective action planned: As soon as Management learned that the scanned inventory numbers did not upload correctly for the year-end inventory count and that we could not enter our counts directly onto the physical count worksheet, the District contacted the software company to report these problems. The software company informed the District that the problems were due to the District using an older version of the software. After the software was upgraded, the scanners were tested to see if the information would upload correctly and that counts could be entered directly onto the physical count worksheets. The upgrade to the new version corrected both of these problems.

Due to the discrepancies that resulted from the uploading with the scanners, both the Waxahachie/Midlothian and Corsicana/Mexia bookstores are doing weekly counts by section to find and correct these errors. The bookstore will submit to the Business Manager the following reports after each section count: pre-inventory listing of section, physical inventory worksheet which is used to count, hand-held device report if items are scanned, inventory discrepancy report, and post-inventory listing of section. A complete book inventory count is scheduled for December 2008 after classes end. In addition, the business manager is organizing high-dollar item counts each month.

Anticipated completion date: December 2008, with monthly section counts continuing indefinitely

Finding 2008-2

Contact person(s) responsible for correction action: David L. Edwards, Registrar

Corrective action planned: The Registrar will incorporate specialized training in reading and interpreting high school transcripts into the overall training plan for all Navarro College staff members that perform admissions and records functions. The Registrar will also include specific instructions for properly entering high school transcript information in the Registrar's Office Policies and Procedures Manual. This manual will be issued to train all Navarro College personnel that perform admissions and records functions.

Navarro College District

Corrective Action Plan (Continued)

Finding 2008-2 (continued)

Corrective action planned: (continued)

The Registrar will also develop, in close coordination with the Director of Financial Aid, a procedure whereby registrar personnel can communicate updated high school transcript information to the appropriate financial aid staff members. This procedure will include coordination and communication between both offices.

Anticipated completion date: January 15, 2009