

Navarro College District
Corsicana, Texas
Comprehensive Annual Financial Report
Years Ended August 31, 2012 and 2011



Prepared by:
Navarro College District
Finance Department



Introductory Section



Navarro College District

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November 30, 2012

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

The following comprehensive annual financial report of Navarro College (the District) for fiscal year ended August 31, 2012, 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, 2012 and 2011. The independent auditors’ report is located at the front of the financial section of this report.

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

PROFILE OF THE DISTRICT

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

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

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

LOCAL ECONOMY AND OUTLOOK

The District is well positioned for growth due to its geographical location between Dallas and Houston on Interstate 45 and between Waco and Tyler on State Highway 31. Student enrollment and student contact hour growth continue to be a main focus of the District. Fall 2011 semester credit enrollment at the District grew by 267 students to 10,443 students on census date, an increase of 2.6% over Fall 2010.

Navarro County's (the taxing district) economy is based on manufacturing, agriculture, and mineral production. Agricultural income is derived from beef cattle, dairy cattle, horses, cotton, and grain. Minerals produced in the county include oil, gas, sand, and gravel. Growth in the county has been minimal, as evidenced by a \$64.5 million (2%) increase in the assessed value of property in the District during the past fiscal year.

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

Other major employers include True Value Distribution Center (hardware), Firestone Building Products (roofing products), Guardian Industries Corporation (float glass manufacturing), Collin Street Bakery (foods manufacturing and outlet store), Oil City Iron Works (castings), Corsicana Bedding (bedding and furniture), Mobil Pipeline Company (pipeline), and Pactiv (food packaging manufacturer).

Pactiv, the world's largest producer of food service disposables and food packaging, is expanding its Corsicana operation by building a state-of-the-art 150,000 sq. ft. addition to its existing facility to manufacture Expanded Polystyrene cups and containers. The State of Texas is investing \$930,000 through the Texas Enterprise Fund to assist in this expansion, which will create 200 jobs for the local citizenry.

The International Order of Odd Fellows completed the remodel of a former children's home administration building into administrative meeting and office space and constructed a 20,000 sq. ft. event center. Construction was completed in two phases. Phase I, the remodel of the old

structure, was completed in June 2011 and provides meeting rooms and offices. Phase II involved the construction a 750-seat Events Center and was completed by December 2011. The Events Center is open for business.

The District completed the expansion of the Navarro College Cook Education Center. This project was initiated and funded by the Navarro College Foundation. The expansion increased the event center’s seating capacity to 500 and added many audio-visual capabilities. It has been hosting events since its completion in June 2012.

Navarro Regional Hospital is a fully-accredited full-service 162-bed facility that provides a wide scope of medical services to the citizens of Navarro County. The hospital offers the latest medical advancements and this past year implemented a 30-Minute-or-Less ER Wait Time Pledge to provide prompt care to its patients. Other services offered by the hospital are Tiny Toes (promoting healthy pregnancy), Healthy Woman (empowering women to make informed health decisions), and Senior Circle (committed to enriching the lives of adults age 50 and over).

The top employers in Navarro County are:

Employer	Industry	Number of Employees
Navarro College (includes part-time)	Education	1,107
Corsicana Independent School District	Government/Education	811
Russell-Stover Candies	Candy Manufacturing	680 *
Navarro Regional Hospital	Hospital	354
Guardian Industries	Glass Manufacturing	318
Texas Juvenile Justice Department Corsicana	Government/State Home	299
City of Corsicana (includes part-time)	Government/City	284
Navarro County	Government/County	284
Corsicana Bedding	Bedding	257
Heritage Oaks / Heritage Oaks West	Nursing Facility	236
Kohl's Distribution Center	Warehousing/Retail	200
Oil City Iron Works	Castings	172
Collin Street Bakery	Food	150 *
Tru-Serve/True Value Distribution Center	Distribution/Hardware	149
* Employee number may vary significantly in accordance with seasonal employment. (A number of employers include full-time and part-time employees.)		

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

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

The population of Navarro County has grown by 2.7% over the past ten years to 48,054, and the Office of the State Demographer for the State of Texas projects a population growth of 9.7% in Navarro County by 2015. Ellis County has grown 34.3% since 2000.

Ellis County, a major part of our service area, continues to grow dramatically, with an estimated total population of 152,753 in 2011. The 2011 estimated population of Waxahachie is 30,223 and the estimated population of Midlothian is 18,417.

The Navarro College Midlothian campus is host to the new Midlothian Higher Education Center, which is a multi-institutional teaching center offering degree programs (undergraduate and graduate) from Texas A&M University - Commerce, Tarleton State University, and University of North Texas - Dallas on the Navarro College campus.

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

Ellis County has a diverse employment and manufacturing base. Waxahachie continues to be an attractive area for developers and individuals to locate. In 2008, over \$70 million in commercial development and over \$30 million in residential development was completed.

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

Gerdau Ameristeel
Georgia Pacific
HEB Foods
Holcim US Inc.
Home Depot
Better Bath Components Inc.
Ashgrove Texas LP
Magnablend, Inc.
Oaks Fellowship
Rock-Tenn Co.
Target
Texas Industries Inc.
TXI
Wal-Mart
National Envelope Co.
Navarro College
Midlothian ISD

Waxahachie ISD
Baylor Medical Center
Elk Technologies
Ennis ISD
International Extrusion Corp.

COMMUNITY OUTREACH AND PARTNERSHIPS

The District commits to provide educational and social opportunities for students at a reasonable cost. Student Financial Aid personnel actively assist students with all facets of financial aid to help fund their educational expenses. A record \$57.7 million in awards was processed in fiscal year 2012. The District aims to provide high quality educational experiences for all students and to establish a nurturing learning environment to promote responsible citizenship. The District maintains a warm and supportive climate that builds a sense of community among learners. The District pledges to remain accountable as an institution of higher learning and as a custodian of the public trust.

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

- Articulated credit for Career and Technical programs is offered in area high schools to prepare students for the workforce in technical field careers. These, along with technical training and placement for students in industries located across the College service area, help to provide educated workers for the labor force. New programs planned in the coming months include Petroleum Technology and Welding in the southern area.
- The Cook Education Center, located adjacent to the main campus in Corsicana, is equipped with a 60-foot domed planetarium. Visitors experience the thrill of exploration and the power of the human imagination in the areas of earth and space sciences through a variety of annual planetarium programs. In addition to supporting Navarro College as a multifaceted audio-visual theater, the planetarium continues to serve as an educational magnet for the 31 surrounding independent school districts, serving over 20,000 students annually.
- Located in the Cook Education Center is the Pearce Civil War & Western Art Museum. The Civil War collection contains over 15,000 original documents written by Presidents, officers, common soldiers, civilians, and family members left on the home front. It is a balanced collection, documenting both the Northern and Southern experiences of the Civil War. The Western Art collection is home to more than 200 original works by acknowledged masters as well as up-and-coming artists in the western art genre. The collection holds works of art from members of the National Academy of Western Art, the Cowboy Artists of America, the Western Artists of America, and the National Sculpture Society, among others. The Civil War and Western Art galleries welcome tour groups, school groups from elementary-age children to college students, and the general public. In the spring of 2011, the Pearce Museum hosted the Western Artists of America Show and Sale. Communication is ongoing with other groups to host similar shows.

- The “Open Door to Success” program continues to assist in identifying students with potential to succeed who are not enrolling in college for a variety of reasons. This program provides individualized counseling attention and financial assistance to qualifying students.
- The District’s cooperative agreement with John Deere continues to attract students from across Texas and neighboring states who wish to pursue a degree in agriculture mechanization technology.
- Fire, emergency medical service, and police academies help to provide trained applicants for these high-demand service professions, including dual-credit Emergency Medical Technician training with local high schools. Continuing education classes are also offered in these areas to assist in meeting certification requirements. Additionally, workforce education classes are offered in partnership with local business and industry to meet new-hire needs and employee update training.
- 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. There is increased interest in all health profession programs, which has prompted the expansion of the OTA program. Continuing Education remains active with Certified Nurse Aide classes and Phlebotomy.

RELEVANT FINANCIAL POLICIES

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

Every year, during the month of July, administrators and the Board of Trustees participate in an all-day budget workshop. It is at this workshop that annual and long-term capital budgets and future construction projects are reviewed and funding sources are identified. This workshop is also used to review revenue and expenditure projections and compare them to the enrollment forecasts. Also included is the annual review of outstanding bond issues, their call dates, and possible refunding advantages and disadvantages. It was due to this annual review that the 2003 Revenue Bond Series was identified as a possible candidate for refunding, which generated a \$1.85 million (present value: \$1.44 million) savings in debt service payments.

As a recipient of federal, state, and local financial awards, the District also is responsible for providing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic review and evaluation by management, internal audit, and the independent auditors of Navarro College District. As a part of the District’s single audit, tests are conducted to determine the adequacy of the internal control structure, including that portion related to federal and state

financial award programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2012, provided no instances of material weakness in the internal control structure.

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

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

MAJOR INITIATIVES

Academic Program Enhancements:

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

- Submitted Fifth-Year Interim Report to the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). A major component of this report was an update on the Quality Enhancement Plan (QEP) and clarification on core requirements and comprehensive standards. The report was submitted March 2012 and a follow-up report in September 2012. Final approval from SACSCOC is expected in December 2012.
- Enrollment in online instruction continues to increase. Online instruction accounts for 19.2% of Navarro College's overall enrollment, and over forty degree and certificate programs offered by Navarro can be attained online. In 2012, the Online Instruction Committee developed a course quality evaluation process, which includes a comprehensive set of standards for online courses that will be used to monitor quality for the period ahead.
- Continuing refinement of the Faculty-Centered Student Advising Program for full-time, first-time students, which complements a diverse and valuable network of counseling services available to students. In addition to academic advising and transfer assistance, there is specific counseling on hand for veterans and international students.
- The Texas A&M University at Commerce - Navarro College Partnership continues to receive recognition as an outstanding program with emphasis on teacher education. This partnership has grown from 63 students in the Fall of 1999 to 790 students in the Fall of 2011 on both the Corsicana and Midlothian Campuses. The partnership has produced 1,655 graduates, with 1,284 in education, 152 BAAS, 58 in Criminal Justice, 8 BSBA, 8 TDEV, 14 BSLS, 8 BGS, and 107 master's degrees conferred through Fall 2011.

- Expanding programs, such as Petroleum Technology, Welding, Cosmetology, P-16, and Honors, are designed to assist students in technical and academic endeavors.
- Navarro College offers a large and competitive intercollegiate athletic program that includes basketball, baseball, soccer, softball, football, cheerleading, and volleyball.
 - The basketball team finished the 2011-2012 year with a record of 25-11. They were third Place in the Region XIV North Zone. They won the Region XIV Tournament and a trip to the National Championship in Hutchinson, KS. Hy Thomas was the MVP of the Regional Tournaments. Six student athletes transferred to university basketball programs.
 - The baseball team had a record of 39-17 for the 2012 season. They were Region XIV East Zone Runner-Up and Region XIV Tournament Runner-Up. Nine student athletes transferred to university programs.
 - The soccer team finished with a record of 15-3-2 and finished as Runner-Up in the Region XIV Championship Tournament and District E Championship Tournament. Five of our student athletes were named to the All-Region Team.
 - The softball team posted a record of 35-20 and was East Zone Runner-Up. Eight players were named to the All-Conference and six players were named to the All-Region Team. Five student athletes transferred to university programs.
 - The football team had a record of 10-2, winning the SWJCFC Championship. They were Heart of Texas Bowl Champions. Twenty-one student athletes transferred to university football programs.
 - The cheerleaders won the 2012 NCA National Championship. This group has brought home a National Championship in nine of the last twelve years.
 - Academics are stressed by the Navarro College administration and coaching staff. Success is evidenced by having 17 athletes named to the Region XIV All-Academic Team and 7 players named as Academic All-Americans. The softball, soccer, and basketball teams earned recognition as NJCAA Academic Teams of the Year.
- Providing good customer service and a positive environment for students is important to the District and enhances the academic programs. Efforts in this regard include:
 - Providing wireless internet service on all four campuses, with the necessary firewall infrastructure to protect the integrity of the data.
 - Continuing to upgrade safety measures, including placing defibrillators on all campuses; adding wireless internet-based security cameras in the dining hall, library, Special Event Center, residence life areas, and the Midlothian

campus; adding panic buttons in each of our college stores and the cashiering office on each campus; providing controlled-access points in Gibson Hall as well as limiting the number of entrances.

- Adding dash-mounted cameras in patrol cars and establishing a bicycle patrol for the Corsicana campus.
- Developing and implementing a backup system that allows periodic backup of all electronic information.

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

Construction and Expansion Projects:

Construction of a 64-student apartment building on the Corsicana campus was completed in August 2012, and the building was placed in use for the Fall 2012 semester. In addition, construction was started on two athletic field houses, one for baseball/softball and one for soccer. The soccer field house is scheduled for completion in December 2012, and the baseball/softball field house is scheduled for completion in April 2013.

Construction of a 20,000 sq. ft. classroom building and a physical plant building on the Waxahachie campus has been approved by the Board of Trustees. At the end of the fiscal year, the project was in the document design stage, with construction to start and complete in fiscal year 2013.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Navarro College for its comprehensive annual financial report for the fiscal year ended August 31, 2011. This was the eleventh consecutive year (2001 through 2011) that the College has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

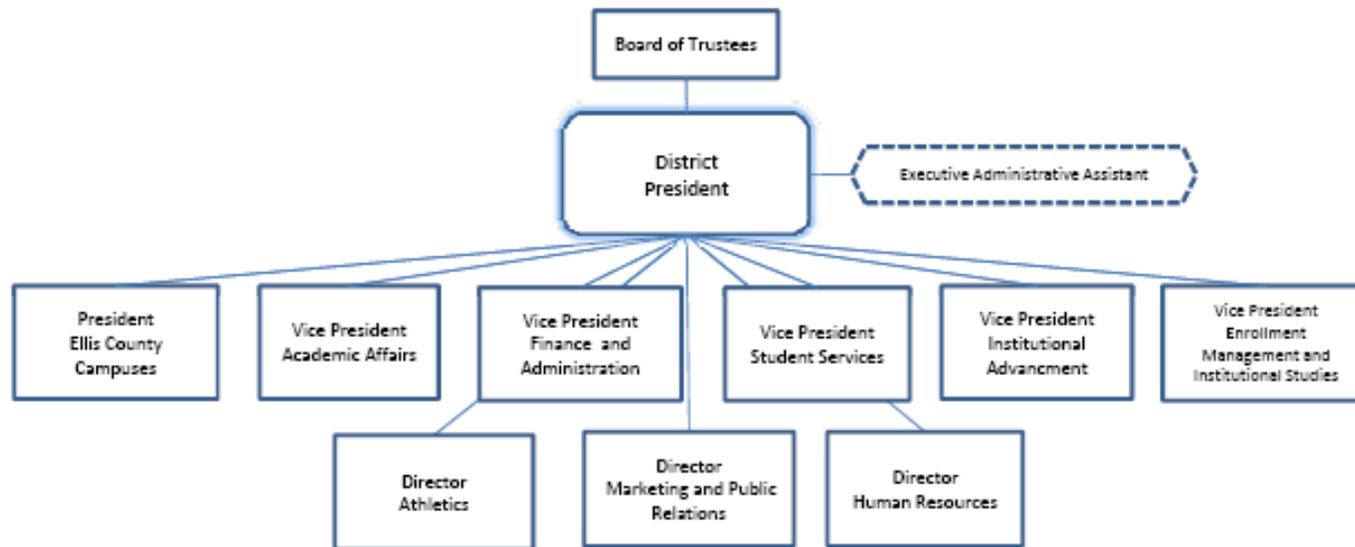
A handwritten signature in blue ink, appearing to read "Gertrud Moreno".

Gertrud Moreno, CPA
Vice President for Finance and Administration

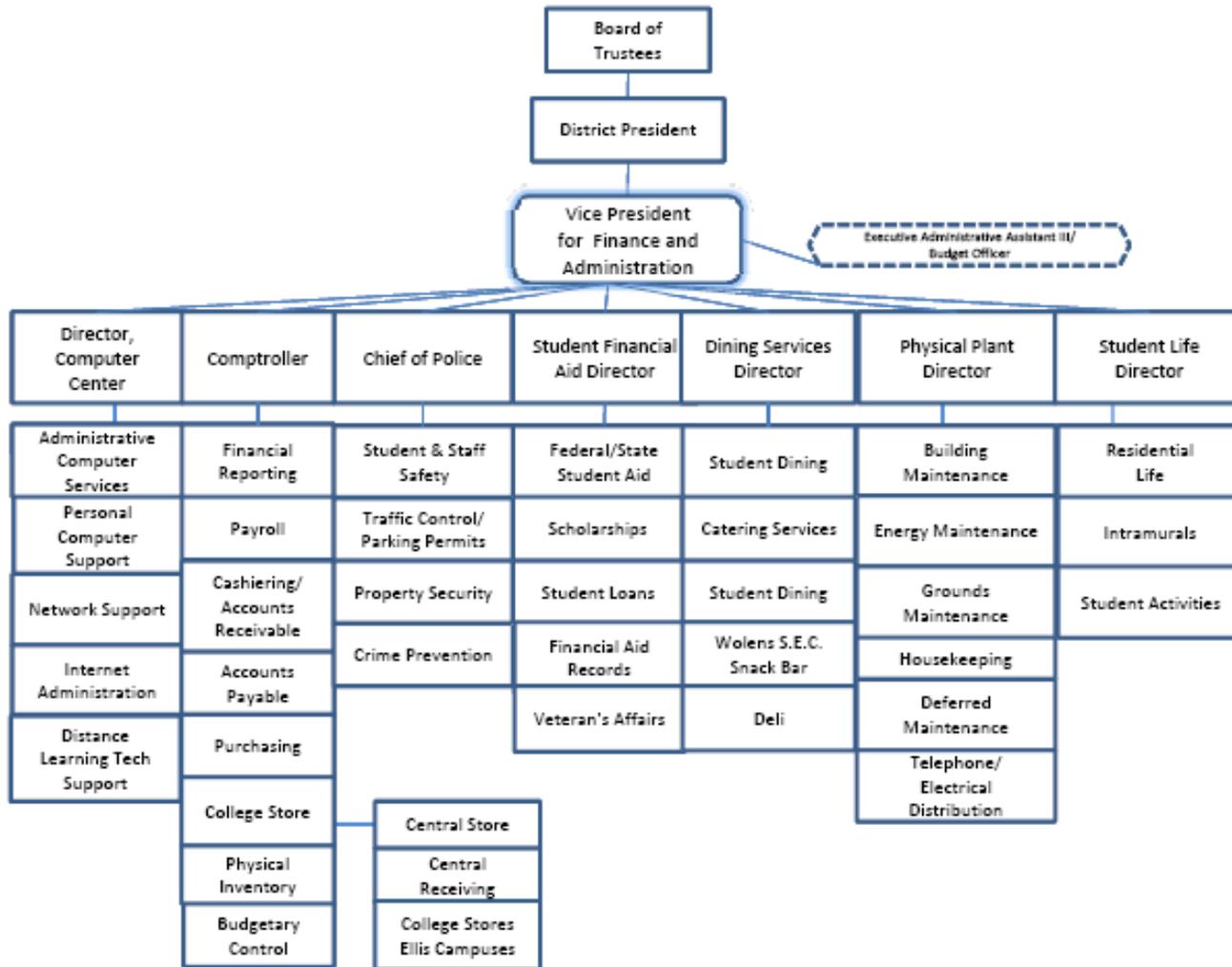
A handwritten signature in blue ink, appearing to read "Aaron York Langston".

Aaron York Langston, CPA
Comptroller

**NAVARRO COLLEGE DISTRICT
Organization Chart
District President**



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



Navarro College District

**Principal Officials
Year Ended August 31, 2012**

Board of Trustees

Officers

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

Members

Term Expires

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

Executive Officers

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

Business Officers

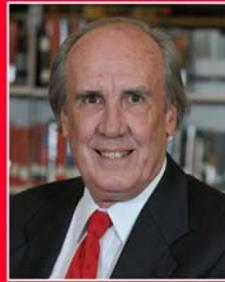
Gertrud Moreno, CPA	Vice President for Finance and Administration
Aaron York, CPA	Comptroller



Navarro College Board of Trustees



Dr. Richard Sanchez
District President



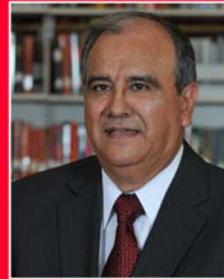
Lloyd D. Huffman
Chairman



Dr. James G. Price
Vice Chairman



Phil Judson
Secretary/Treasurer



Richard L. Aldama
Member



A.L. Atkeisson
Member



Faith D. Holt
Member



Billy Todd McGraw
Member

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Navarro College
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2011

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.



Christopher P. Moine

President

Jeffrey R. Emer

Executive Director

Financial Section





Independent Auditors' Report

The Board of Trustees
Navarro College District:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Navarro College District (the District) as of and for the years ended August 31, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Navarro College Foundation, Inc. (the Foundation), a discretely presented component unit of the District, as of and for the years ended August 31, 2012 and 2011. 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Navarro College District as of August 31, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section, supplemental information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *Uniform Grant Management Standards*, and are not a required part of the basic financial statements. The supplemental information including the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we do not express an opinion or provide any assurance on them.

November 30, 2012

Management's Discussion and Analysis

As management of the Navarro College District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Navarro College for the fiscal year ended August 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v to xviii of this report.

Financial Highlights

- Increase of \$4,699,023 in net assets for year ending August 31, 2012, of which \$3,346,125 represents an increase in unrestricted net assets.
- Refunding of 2003 Revenue Bond Series generated \$1.85 million (present value: \$1.44 million) of savings of debt service payments.
- Financed construction of 64-bed student apartment building, and baseball/softball and soccer field houses from internal funding sources.

Overview of the Financial Statements and Financial Analysis

The District is proud to present its financial statements for the fiscal years ended August 31, 2012 and 2011. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. As demonstrated by the statements and schedules included in the financial section of this report, the District continues meeting its responsibility for sound financial management.

Statements of Net Assets

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

Navarro College District Statements of Net Assets

	August 31,			Amount of Change 2011 to 2012	Percentage of Change 2011 to 2012
	2012	2011	2010		
Assets					
Current assets	\$ 38,746,553	30,968,081	29,049,544	7,778,472	25.12%
Capital assets	58,692,740	58,071,245	55,329,230	621,495	1.07%
Other assets	520,736	387,554	1,743,607	133,182	34.36%
Total assets	\$ 97,960,029	89,426,880	86,122,381	8,533,149	9.54%

Navarro College District
Statements of Net Assets
(Continued)

	August 31,			Amount of Change 2011 to 2012	Percentage of Change 2011 to 2012
	2012	2011	2010		
Liabilities					
Current liabilities	\$ 16,809,085	16,338,308	16,411,656	470,777	2.88%
Noncurrent liabilities	<u>36,287,923</u>	<u>32,924,574</u>	<u>33,274,674</u>	<u>3,363,349</u>	10.22%
Total liabilities	<u>\$ 53,097,008</u>	<u>49,262,882</u>	<u>49,686,330</u>	<u>3,834,126</u>	7.78%
Net assets					
Invested in capital assets, net of debt	\$ 27,439,037	26,031,404	23,238,115	1,407,633	5.41%
Restricted - expendable	2,963,556	3,018,291	3,007,776	(54,735)	(1.81%)
Unrestricted	<u>14,460,428</u>	<u>11,114,303</u>	<u>10,190,160</u>	<u>3,346,125</u>	30.11%
Total net assets	<u>\$ 44,863,021</u>	<u>40,163,998</u>	<u>36,436,051</u>	<u>4,699,023</u>	11.70%

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

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

Financial Analysis from 2011 to 2012

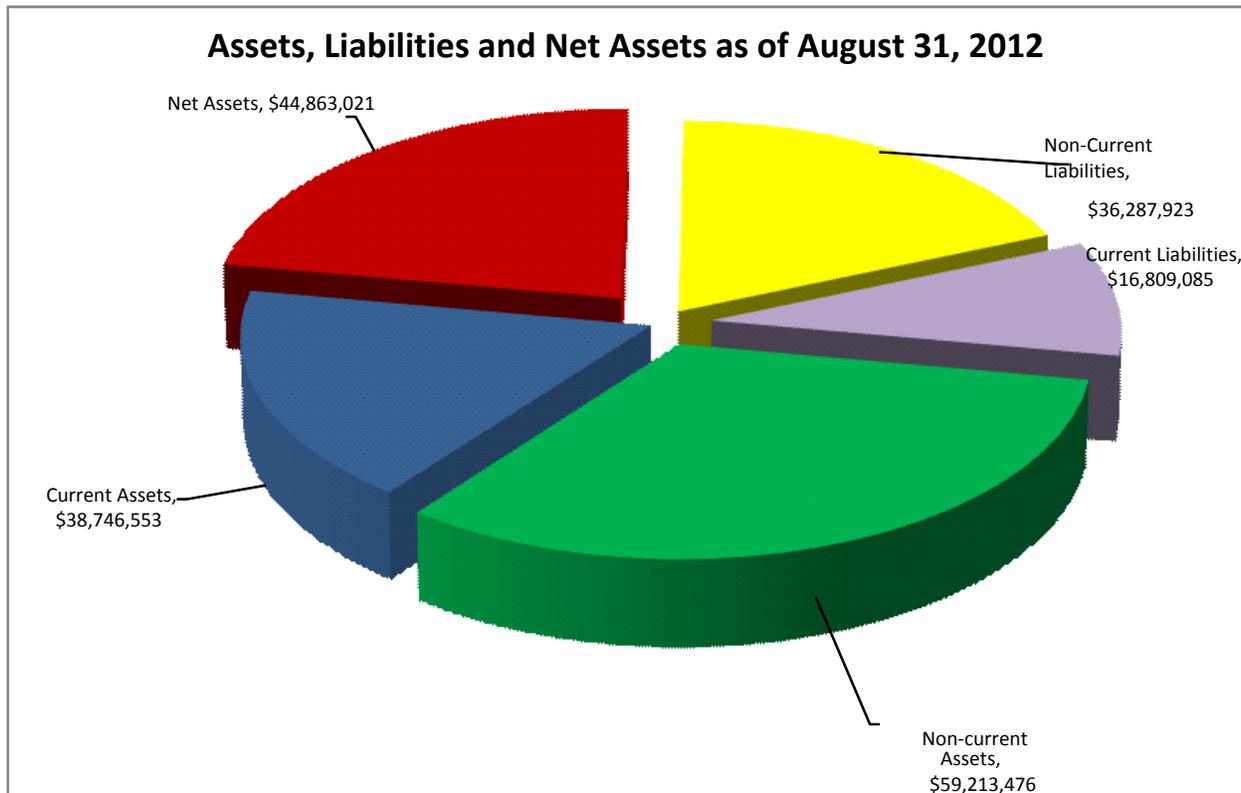
Current assets increased by 25.1% or \$7,778,472 due to increases of \$1,409,712 in cash and cash equivalents, \$5.5 million in restricted cash and cash equivalents, \$92,591 in accounts receivable, \$202,651 in prepaid expenses, and \$573,518 in inventories. The restricted cash increase of \$5.5 million represents the proceeds from the 2012 Revenue Bond Series that was issued in May 2012. This amount will be expended in 2013 for the scheduled construction of a classroom and a physical plant building on the Waxahachie campus. The growth in inventories was due to the increase in textbook purchases due to the 2-year rotation requirement and the purchase of grocery and beverage inventory to stock the newly constructed Waxahachie deli.

Capital assets show an increase of \$621,495 (after depreciation). Three building construction projects began in fiscal year 2012 (baseball/softball and soccer field houses and 64-bed student apartment building). Of the three, the student apartment building was completed and placed into operation in August 2012 for the fall 2012 semester. The combined addition to building and

building improvements of \$1,549,160 was partially offset with the construction-in-progress reduction of \$296,449 and increase in depreciation. Other assets show a 34.4% increase or \$133,182. This represents the net amount of the 2012 Revenue Bond Series issuance costs of \$405,000 less current year amortization on all issuance costs of \$28,000 and write-off of the 2003 Revenue Bond Series remaining issuance costs of \$243,000 due to the advance refunding.

Total liabilities increased to \$53,097,008 from \$49,262,882, for an increase of \$3,834,126 or 7.8%. This increase reflects the current and non-current segment of the liability for the 2012 Revenue Bond Series.

In summary, the total net assets of the District reflect a strong increase of \$4,699,023 to a total of \$44,863,021 at August 31, 2012. Most of the growth is reflected in the unrestricted net assets increase of \$3,346,125, with the remainder being tied to an increase in investment in capital asset, net of related debt of \$1,407,633 and a small decrease of \$54,735 in expendable restricted net assets.



Financial Analysis from 2010 to 2011

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

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

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

In summary, the total net assets of the District reflect a strong increase of \$3,727,947 to a total of \$40,163,998 at August 31, 2012. Most of the growth is reflected in the investment in capital asset increase of \$2,793,289, with the remainder being tied to an increase of \$924,143 in the unrestricted fund balance and a small increase of \$10,515 in expendable restricted net assets.

Statements of Revenues, Expenses, and Changes in Net Assets

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

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

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

	2012	2011	2010	Amount of Change 2011 to 2012	% of Change 2011 to 2012
Operating revenues					
Tuition and fees	\$ 12,716,944	13,759,423	13,325,558	(1,042,479)	(7.58%)
Sales and services	7,854,050	8,449,512	8,147,110	(595,462)	(7.05%)
Other operating revenues	129,911	100,877	98,943	29,034	28.78%
Total operating revenues	<u>20,700,905</u>	<u>22,309,812</u>	<u>21,571,611</u>	<u>(1,608,907)</u>	<u>(7.21%)</u>
Nonoperating revenues					
State appropriations	17,530,761	16,383,691	16,719,942	1,147,070	7.00%
Maintenance ad valorem property taxes	3,228,761	3,122,756	2,988,424	106,005	3.39%

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	Amount of Change 2011 to 2012	% of Change 2011 to 2012
Nonoperating revenues (continued)					
Grants and contracts	\$ 26,119,249	29,264,418	24,453,476	(3,145,169)	(10.75%)
Gifts	834,579	762,018	635,150	72,561	9.52%
Investment income	146,902	153,555	193,952	(6,653)	(4.33%)
Other non-operating revenues	62,511	64,560	479,948	(2,049)	100.00%
Total nonoperating revenues	<u>47,922,763</u>	<u>49,750,998</u>	<u>45,470,892</u>	<u>(1,828,235)</u>	<u>(3.67%)</u>
Total revenues	<u>68,623,668</u>	<u>72,060,810</u>	<u>67,042,503</u>	<u>(3,437,142)</u>	<u>(4.77%)</u>
Operating expenses					
Instruction	17,799,800	18,167,513	17,540,069	(367,713)	(2.02%)
Public service	281,184	228,891	194,113	52,293	22.85%
Academic support	3,486,597	3,579,175	3,436,714	(92,578)	(2.59%)
Student services	4,031,791	3,677,010	3,838,251	354,781	9.65%
Institutional support	5,191,112	5,022,776	5,054,143	168,336	3.35%
Operation and management of plant	4,122,473	4,582,981	3,743,411	(460,508)	(10.05%)
Scholarships and fellowships	13,672,996	17,996,557	16,350,302	(4,323,561)	(24.02%)
Auxiliary enterprises	12,088,998	11,880,415	10,082,097	208,583	1.76%
Depreciation expense	1,855,608	1,703,928	1,574,211	151,680	8.90%
Total operating expenses	<u>62,530,559</u>	<u>66,839,246</u>	<u>61,813,311</u>	<u>(4,308,687)</u>	<u>(6.45%)</u>
Nonoperating expenses					
Interest on capital related debt	1,394,086	1,493,617	1,486,718	(99,531)	(6.66%)
Total nonoperating expenses	<u>1,394,086</u>	<u>1,493,617</u>	<u>1,486,718</u>	<u>(99,531)</u>	<u>(6.66%)</u>
Total expenses	<u>63,924,645</u>	<u>68,332,863</u>	<u>63,300,029</u>	<u>(4,408,218)</u>	<u>(6.45%)</u>
Change in net assets	4,699,023	3,727,947	3,742,474	971,076	26.05%
Beginning net assets	<u>40,163,998</u>	<u>36,436,051</u>	<u>32,693,577</u>	<u>3,727,947</u>	<u>10.23%</u>
Ending net assets	<u>\$ 44,863,021</u>	<u>40,163,998</u>	<u>36,436,051</u>	<u>4,699,023</u>	<u>11.70%</u>

Financial Analysis from 2011 to 2012

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive year, with an increase of \$4,699,023 in net assets at year-end. Operating revenues decreased 7.2%, or \$1,608,907, due to minor enrollment decreases, which affected both tuition and fees and sales and services of educational activities. Some of the enrollment decrease is attributable to modifications of the PELL award that were initiated by the federal government in 2010 that continued through 2012, as well as the new requirement of monitoring continued financial aid eligibility or satisfactory academic progress.

Nonoperating revenues decreased by 3.7% or \$1,828,235. As mentioned above, this decrease was caused largely by the reduction of federal financial aid funds received on behalf of students in the form of student grants in the amount of \$3,145,169. State appropriated funds reported an increase of \$1,147,070 due to enrollment increases sustained in fiscal years 2010 and 2011. Small increases also were noted in the maintenance ad valorem taxes (\$106,005) and gifts (\$72,561). Reductions of \$6,653 in investment income and \$2,049 in other nonoperating revenues make up the balance of the increase in total nonoperating revenues.

Overall operating expenses decreased by 6.5% or \$4,308,687, which was largely affected by the 24%, or \$4,323,561, decrease in scholarships. This decrease correlates directly to the reduction of tuition and fees discussed above. Decreases in the scholarship expense category are tied to the decrease already observed in the tuition and fees. Decreased enrollment plus decreased student financial aid awards will result in decreased allowances and discounts. Minor increases and decreases among the remaining expenditure categories make up the balance of the combined decrease in total operating expenses. Auxiliary expenses also reflect an increase of 1.8%, or \$208,583, due to the increased demand of sales and services of educational activities.

Nonoperating expenses of interest on capital debt decreased by \$99,531 due to regular amortization of principal and interest.

In summary, operational activities provided the District with a strong increase of \$4,699,023, increasing net assets to a total of \$44,863,021 on August 31, 2012.

Financial Analysis from 2010 to 2011

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

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

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

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

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

Statements of Cash Flows

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

Navarro College District Statements of Cash Flows

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Amount of Change 2011 to 2012</u>	<u>% of Change 2011 2012</u>
Cash provided by (used for):					
Operating activities	\$ (39,879,253)	(39,739,664)	(42,271,369)	(139,589)	0.35%
Noncapital financing activities	46,305,292	46,361,857	42,628,582	(56,565)	(0.12%)
Investing activities	195,502	131,155	184,421	64,347	49.06%
Capital and related financing activities	<u>288,171</u>	<u>(6,721,732)</u>	<u>(5,664,387)</u>	<u>7,009,903</u>	<u>(104.29%)</u>
Net change in cash	6,909,712	31,616	(5,122,753)	6,878,096	21,755.11%
Cash, beginning of year	<u>14,831,025</u>	<u>14,799,409</u>	<u>19,922,162</u>	<u>31,616</u>	0.21%
Cash, end of year	<u>\$ 21,740,737</u>	<u>14,831,025</u>	<u>14,799,409</u>	<u>6,909,712</u>	46.59%

Financial Analysis from 2011 to 2012

An analysis of cash flows shows an overall increase of 46.6%, or \$6,909,712, in cash flow for 2012. The District had \$21,740,737 in cash at the end of fiscal year 2012, compared to \$14,831,025 at the end of fiscal year 2011. The increased cash flow occurred in June 2012 when the funds were received from the 2012 Revenue Bond Series issuance of \$5.5 million. These funds will be budgeted and expended in fiscal year 2013 for the construction of a classroom and physical plant building on the Waxahachie campus.

Financial Analysis from 2010 to 2011

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

Debt Administration and Capital Assets

As of August 31, 2012, the District had \$31,370,000 of revenue bonds outstanding.

In 2012, the District was able to realize a savings in debt service payments of \$1.85 million (present value \$1.44 million) by refunding its 2003 Revenue Bond Series. In combination with the refunding of the 2003 issue, the Board of Trustees approved an additional \$5.5 million in new revenue bonds for the construction of a classroom and a physical plant building on the Waxahachie campus. The Board of Trustees authorized the District to increase the annual debt principal payment by \$1 million for the next five (5) years in order to repay the amount (\$5.5 million) generated by the new revenue bonds.

During 2012, the District continued to add to its physical plant structures by adding \$1.5 million in buildings and building improvements. The physical plant addition consists of a 64-bed student apartment building, partial construction cost for the Waxahachie campus deli, and start-up cost for a physical plant storage building. Improvements were increased by the renovation of Jones Hall and the Courtyard, both located on the Corsicana campus, the Administrative Building in Waxahachie and the Student Lounge area renovation on the Mexia campus. At year end, \$543,090 remained in construction-in-progress which will be re-budgeted in 2013 for the completion of both the baseball/softball and the soccer field houses.

For additional information concerning capital assets and debt administration, see Notes 6, 7, 8 and 9 in the Notes to the Financial Statements.

Risk Management

In spring of 2009, during the 81st Legislature Session, HB 1831 was introduced and passed, which requires community colleges to submit developed plans and procedures and results of readiness training for disaster preparedness and emergency management. Texas agencies were expected to report this data by August 31, 2012, indicating that disaster and emergency training as well as the development of policies to test the implemented procedure were in place or in the developmental stage. In response, the District added a Risk Management Coordinator position.

This individual worked closely with the Police Chief to develop procedures, establish training schedules, test the procedures, and submit the plan and procedures and test data results to the State.

Economic Outlook

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

Request for Information

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



Gertrud Moreno, CPA
Vice President for Finance and Administration



Basic Financial Statements



Navarro College District

Statements of Net Assets (Exhibit 1)

August 31, 2012 and 2011

	Primary Government		Component Unit	
	Navarro College District	Navarro College District	Navarro College Foundation, Inc.	Navarro College Foundation, Inc.
	2012	2011	2012	2011
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 16,240,737	14,831,025	219,475	240,446
Restricted cash and cash equivalents	5,500,000	-	-	-
Accounts receivable, net	13,104,787	13,012,196	132,797	244,589
Prepaid expenses	1,156,827	954,176	-	-
Inventories	2,744,202	2,170,684	-	-
Total current assets	<u>38,746,553</u>	<u>30,968,081</u>	<u>352,272</u>	<u>485,035</u>
Noncurrent assets:				
Long-term investments	-	-	3,142,710	2,910,912
Capital assets, net	58,692,740	58,071,245	9,978,234	9,604,723
Other assets	520,736	387,554	-	-
Total noncurrent assets	<u>59,213,476</u>	<u>58,458,799</u>	<u>13,120,944</u>	<u>12,515,635</u>
Total assets	<u>97,960,029</u>	<u>89,426,880</u>	<u>13,473,216</u>	<u>13,000,670</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,436,456	1,740,181	4,186	177,402
Accrued liabilities	304,163	369,458	-	-
Funds held for others	664,467	608,774	-	-
Deferred revenue	11,790,480	12,235,616	-	-
Accrued compensated absences - current portion	119,810	118,024	-	-
Accrued claims and judgments - current portion	33,709	21,255	-	-
Notes payable	-	-	227,569	100,000
Capital lease - current portion	150,000	140,000	-	-
Bonds payable - current portion	2,310,000	1,105,000	-	-
Total current liabilities	<u>16,809,085</u>	<u>16,338,308</u>	<u>231,755</u>	<u>277,402</u>
Noncurrent liabilities:				
Accrued compensated absences	1,926,651	1,804,692	-	-
Accrued claims and judgments	101,125	63,766	-	-
Loan payable	1,500,000	1,500,000	-	-
Capital lease	3,651,116	3,801,116	-	-
Bonds payable	29,109,031	25,755,000	-	-
Total noncurrent liabilities	<u>36,287,923</u>	<u>32,924,574</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>53,097,008</u>	<u>49,262,882</u>	<u>231,755</u>	<u>277,402</u>
<u>Net Assets</u>				
Net assets:				
Invested in capital assets, net of related debt	27,439,037	26,031,404	9,978,234	9,604,723
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	146,600	146,600
Pearce Museum	-	-	1,322,296	1,305,488
Expendable:				
Scholarships and fellowships	2,653,110	2,782,126	1,660,308	1,559,771
Debt service	310,446	236,165	-	-
Unrestricted	<u>14,460,428</u>	<u>11,114,303</u>	<u>134,023</u>	<u>106,686</u>
Total net assets	<u>\$ 44,863,021</u>	<u>40,163,998</u>	<u>13,241,461</u>	<u>12,723,268</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, 2012 and 2011

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2012	2011	2012	2011
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$8,366,421 and \$6,827,924, respectively)	\$ 12,716,944	13,759,423	-	-
Gifts	-	-	724,350	597,955
Sales and services of educational activities	448,874	421,584	-	-
Auxiliary enterprises (net of scholarship allowances and discounts of \$3,585,609 and \$2,926,253, respectively)	7,405,176	8,027,928	-	-
Other operating revenues	129,911	100,877	-	-
Total operating revenues	<u>20,700,905</u>	<u>22,309,812</u>	<u>724,350</u>	<u>597,955</u>
Operating expenses:				
Instruction	17,799,800	18,167,513	-	-
Public service	281,184	228,891	-	-
Academic support	3,486,597	3,579,175	-	-
Student services	4,031,791	3,677,010	-	-
Institutional support	5,191,112	5,022,776	222,287	304,560
Operation and maintenance of plant	4,122,473	4,582,981	-	-
Scholarships and fellowships	13,672,996	17,996,557	233,144	219,958
Auxiliary enterprises	12,088,998	11,880,415	-	-
Depreciation	1,855,608	1,703,928	30,642	4,917
Total operating expenses	<u>62,530,559</u>	<u>66,839,246</u>	<u>486,073</u>	<u>529,435</u>
Operating income (loss)	<u>(41,829,654)</u>	<u>(44,529,434)</u>	<u>238,277</u>	<u>68,520</u>
Nonoperating revenues (expenses):				
State appropriations	17,530,761	16,383,691	-	-
Ad valorem property taxes for maintenance and operations	3,228,761	3,122,756	-	-
Federal grants and contracts	24,701,880	27,228,331	-	-
State grants and contracts	1,339,234	1,911,420	-	-
Local grants and contracts	78,135	124,667	-	-
Investment income	146,902	153,555	285,156	288,205
Gifts	834,579	762,018	-	-
Interest on capital asset-related debt	(1,394,086)	(1,493,617)	-	-
Other nonoperating revenues (expenses), net	62,511	64,560	(5,240)	13,292
Net nonoperating revenues	<u>46,528,677</u>	<u>48,257,381</u>	<u>279,916</u>	<u>301,497</u>
Increase in net assets	4,699,023	3,727,947	518,193	370,017
Net assets - beginning of year	<u>40,163,998</u>	<u>36,436,051</u>	<u>12,723,268</u>	<u>12,353,251</u>
Net assets - end of year	<u>\$ 44,863,021</u>	<u>40,163,998</u>	<u>13,241,461</u>	<u>12,723,268</u>

See accompanying notes to the financial statements.

Navarro College District

Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2012 and 2011

	Primary Government Navarro College District	
	2012	2011
Cash flows from operating activities		
Receipts from students and other customers	\$ 20,122,160	23,788,028
Receipts from third-party student loans	31,501,293	33,937,542
Other receipts	129,911	100,877
Loans issued to students	(31,751,242)	(34,190,995)
Payments to employees	(27,481,921)	(26,061,592)
Payments to suppliers and students	(32,165,011)	(37,062,918)
Net cash used in operating activities	(39,644,810)	(39,489,058)
Cash flows from noncapital financing activities		
Receipts of state appropriations	15,639,707	14,070,243
Receipts from ad valorem property taxes for maintenance and operation	3,233,714	3,130,387
Receipts of grants and contracts	26,282,445	28,210,810
Receipts from gifts for other than capital purposes	914,983	699,811
Net cash provided by noncapital financing activities	46,070,849	46,111,251
Cash flows from capital and related financing activities		
Proceeds from loan payable	-	750,000
Proceeds from capital contributions	-	126,767
Proceeds from issuance of bonds	5,503,467	
Purchases of capital assets	(2,377,727)	(4,868,472)
Payments on capital debt principal	(1,245,000)	(1,200,000)
Payments on capital debt interest	(1,592,569)	(1,530,027)
Net cash provided by (used in) capital and related financing activities	288,171	(6,721,732)
Cash flows from investing activities		
Receipts from interest on investments	195,502	131,155
Net cash provided by investing activities	195,502	131,155
Net increase in cash and cash equivalents	6,909,712	31,616
Cash and cash equivalents - beginning of year	14,831,025	14,799,409
Cash and cash equivalents - end of year	\$ 21,740,737	14,831,025
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (41,829,654)	(44,529,434)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,855,608	1,703,928
On-behalf payments	1,891,054	2,313,448
Change in assets and liabilities:		
Receivables, net	(328,668)	(15,827)
Inventories	(573,518)	663,707
Prepaid expenses	(202,651)	(115,071)
Accounts payable	(403,101)	(1,020,418)
Accrued liabilities	142,677	456
Funds held for others	55,693	79,686
Deferred revenue	(425,808)	1,261,781
Accrued compensated absences	123,745	215,756
Accrued claims and judgments	49,813	(47,070)
Net cash used in operating activities	\$ (39,644,810)	(39,489,058)
Noncash investing, capital and financing activities:		
State appropriations on-behalf payments	\$ 1,891,054	2,313,448

See accompanying notes to the financial statements.



Navarro College District

Notes to Financial Statements

August 31, 2012 and 2011

(1) Nature of Operations and Reporting Entity

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

Navarro College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources, or income thereon that the Foundation holds and invests, are for the benefit of the District or its constituents. Because the net assets of the Foundation compared to the District are significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2012 and 2011, the Foundation expended \$205,984 and \$209,179, respectively, directly to the District or to the District on behalf of students for scholarships. Complete financial statements for the Foundation can be obtained from the Foundation office at 3100 W. Collin, Corsicana, Texas 75110.

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

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

(b) Encumbrances

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

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(c) Scholarship Allowances and Discounts

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

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

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

(d) Cash and Cash Equivalents

The District's cash and cash equivalents for purposes of reporting cash flows consist of cash on hand, demand deposits, and certificates of deposit. Cash equivalents of \$4,090,000 and \$8,700,000 at August 31, 2012 and 2011, respectively, consist of certificates of deposit.

(e) Inventories

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

(f) Restricted Cash and Cash Equivalents

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

Navarro College District

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(g) Capital Assets

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

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

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

(h) Deferred Revenue

Deferred revenue of the District at August 31, 2012 and 2011 consists of the following amounts which have not yet been earned:

	2012	2011
Tuition and fees	\$ 9,622,880	10,092,541
Auxiliary	2,136,847	2,092,994
Federal grants	30,753	50,081
	\$ 11,790,480	12,235,616

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Use of Estimates

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

(3) Authorized Investments

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

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

(4) Deposits and Investments

Deposits of the District at August 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Cash - demand deposits	\$ 17,645,452	6,125,880
Cash - certificates of deposit	4,090,000	8,700,000
Cash - petty cash on hand	<u>5,285</u>	<u>5,145</u>
Total deposits	<u>\$ 21,740,737</u>	<u>14,831,025</u>

Navarro College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

Deposits and investments of the Foundation at August 31, 2012 and 2011 consist of the following:

	2012	2011
<u>Deposits</u>		
Cash - demand deposits	\$ 219,475	240,446
Total deposits	219,475	240,446
<u>Investments</u>		
U. S. government securities	-	384,960
Corporate bonds	523,089	454,105
Marketable equity securities	1,870,957	1,547,332
Other investments	748,664	524,515
Total investments	3,142,710	2,910,912
Total deposits and investments	\$ 3,362,185	3,151,358

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

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

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

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

Navarro College District

Notes to Financial Statements
(Continued)

(5) Accounts Receivable

Accounts receivable at August 31, 2012 and 2011 consist of the following:

	2012	2011
Tuition and fees	\$ 9,027,363	8,918,600
Ad valorem property taxes	280,831	285,784
Federal and state grants	3,065,777	3,150,591
Interest	4,106	52,706
Auxiliary and other	2,138,226	2,016,031
	14,516,303	14,423,712
Less allowance for doubtful accounts	(1,411,516)	(1,411,516)
Accounts receivable, net	\$ 13,104,787	13,012,196

(6) Capital Assets

Capital asset activity for the District for the year ended August 31, 2012 was as follows:

	Balance September 1, 2011	Additions	Transfers and Retirements	Balance August 31, 2012
Capital assets, not being depreciated:				
Land	\$ 2,641,656	-	-	2,641,656
Collections	434,339	-	-	434,339
Construction in progress	296,449	543,090	(296,449)	543,090
	3,372,444	543,090	(296,449)	3,619,085
Capital assets, being depreciated:				
Buildings and building improvements	63,137,439	1,549,160	-	64,686,599
Other real estate improvements	5,451,956	139,041	-	5,590,997
Total buildings and other real estate improvements	68,589,395	1,688,201	-	70,277,596
Library books	1,437,816	61,469	-	1,499,285
Furniture and equipment	5,681,926	480,792	(138,965)	6,023,753
	75,709,137	2,230,462	(138,965)	77,800,634

Navarro College District

Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

	Balance September 1, 2011	Additions	Transfers and Retirements	Balance August 31, 2012
Less accumulated depreciation:				
Buildings and building improvements	\$ (14,487,698)	(1,158,060)	-	(15,645,758)
Other real estate improvements	(2,243,147)	(190,163)	-	(2,433,310)
Total buildings and other real estate improvements	(16,730,845)	(1,348,223)	-	(18,079,068)
Library books	(934,718)	(61,633)	-	(996,351)
Furniture and equipment	(3,344,773)	(445,752)	138,965	(3,651,560)
	<u>(21,010,336)</u>	<u>(1,855,608)</u>	<u>138,965</u>	<u>(22,726,979)</u>
	<u>54,698,801</u>	<u>374,854</u>	<u>-</u>	<u>55,073,655</u>
	<u>\$ 58,071,245</u>	<u>917,944</u>	<u>(296,449)</u>	<u>58,692,740</u>

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

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

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

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

Construction in progress at August 31, 2012 is composed of the following:

	Spent to Date	Remaining Committed	Required Future Financing
	<u> </u>	<u> </u>	
Baseball and Soccer Field Houses	\$ 540,765	1,332,379	None
Waxahachie Physical Plant	<u>2,325</u>	<u>-</u>	None
	<u>\$ 543,090</u>	<u>1,332,379</u>	

Capital asset activity for the Foundation for the year ended August 31, 2012 was as follows:

	Balance September 1, 2011	Additions	Transfers and Retirements	Balance August 31, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, not being depreciated:				
Construction in progress	\$ 1,177,425	-	(1,177,425)	-
Collections	8,402,988	30,950	-	8,433,938
	<u>9,580,413</u>	<u>30,950</u>	<u>(1,177,425)</u>	<u>8,433,938</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2011	Additions	Transfers and Retirements	Balance August 31, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 25,733	109,738	-	135,471
Leasehold improvements	16,500	1,440,890	-	1,457,390
	<u>42,233</u>	<u>1,550,628</u>	<u>-</u>	<u>1,592,861</u>
Less accumulated depreciation:				
Furniture and equipment	(16,376)	(11,531)	-	(27,907)
Leasehold improvements	(1,547)	(19,111)	-	(20,658)
	<u>(17,923)</u>	<u>(30,642)</u>	<u>-</u>	<u>(48,565)</u>
	<u>24,310</u>	<u>1,519,986</u>	<u>-</u>	<u>1,544,296</u>
	<u>\$ 9,604,723</u>	<u>1,550,936</u>	<u>(1,177,425)</u>	<u>9,978,234</u>

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

	Balance September 1, 2010	Additions	Transfers and Retirements	Balance August 31, 2011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, not being depreciated:				
Construction in progress	\$ 93,375	1,084,050	-	1,177,425
Collections	8,391,828	11,160	-	8,402,988
	<u>8,485,203</u>	<u>1,095,210</u>	<u>-</u>	<u>9,580,413</u>
Capital assets, being depreciated:				
Furniture and equipment	25,733	-	-	25,733
Leasehold improvements	16,500	-	-	16,500
	<u>42,233</u>	<u>-</u>	<u>-</u>	<u>42,233</u>
Less accumulated depreciation:				
Furniture and equipment	\$ (12,559)	(3,817)	-	(16,376)
Leasehold improvements	(447)	(1,100)	-	(1,547)
	<u>(13,006)</u>	<u>(4,917)</u>	<u>-</u>	<u>(17,923)</u>
	<u>29,227</u>	<u>(4,917)</u>	<u>-</u>	<u>24,310</u>
	<u>\$ 8,514,430</u>	<u>1,090,293</u>	<u>-</u>	<u>9,604,723</u>

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2012 was as follows:

	Balance September 1, 2011	Additions	Reductions	Balance August 31, 2012	Due Within One Year
Bonds and loan payable:					
Revenue bonds	\$ 26,860,000	21,370,000	16,860,000	31,370,000	2,310,000
Deferred amounts:					
On refunding	-	(1,011,514)	(10,536)	(1,000,978)	-
For issuance premiums	-	1,061,061	11,052	1,050,009	-
Loan payable	1,500,000	-	-	1,500,000	-
Total bonds and loan payable	28,360,000	21,419,547	16,860,516	32,919,031	2,310,000
Capital lease	3,941,116	-	140,000	3,801,116	150,000
Other liabilities:					
Compensated absences	1,922,716	320,477	196,732	2,046,461	119,810
Claims and judgments	85,021	101,243	51,430	134,834	33,709
	<u>\$ 34,308,853</u>	<u>21,841,267</u>	<u>17,248,678</u>	<u>38,901,442</u>	<u>2,613,519</u>

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

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

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Revenue bonds at August 31, 2012 and 2011, which were all issued to provide funds for the acquisition and construction of major capital facilities, are comprised of the following individual issues:

	2012	2011
\$20,715,000 series 2003 revenue and refunding bonds, due in annual installment of \$705,000 through May 2013; interest at 2% to 5.375%	\$ 705,000	17,135,000
\$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2027; interest at 3.7%	2,760,000	2,910,000
\$3,550,000 series 2007 revenue bonds due in annual installments of \$120,000 to \$250,000 through May 2027; interest at 4.08%	2,895,000	3,035,000
\$4,075,000 series 2009 revenue bonds due in annual installments of \$135,000 to \$300,000 through May 2029; interest at 4.56%	3,640,000	3,780,000
\$21,370,000 series 2012 revenue and refunding bonds due in annual installments of \$955,000 to \$2,035,000 through May 2028; interest at 2% to 5%	21,370,000	-
	\$ 31,370,000	26,860,000

The District entered into a \$1,500,000 loan agreement with the Corporation for the Economic Development of Midlothian on July 24, 2009, which is forgivable under certain conditions. If these conditions are not met and maintained during a 20-year period, the loan may be demanded and if not paid in full within ten days of the date of such demand will accrue interest at a rate of 4.5% per year. The Corporation for Economic Development of Midlothian agreed to make the 20-year forgivable loan to the District in order to construct a 25,000 sq. ft. classroom/workforce training facility on the Midlothian Navarro College Campus site. During 2011, the District received the second and final installment of loan proceeds of \$750,000 and reported a loan payable of \$1.5 million at August 31, 2012 and 2011.

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Debt service requirements to amortize revenue bonds payable as of August 31, 2012, are as follows:

For the Year Ended August 31,	Revenue Bonds		Total
	Principal	Interest	
2013	\$ 2,310,000	1,881,209	4,191,209
2014	2,310,000	1,094,111	3,404,111
2015	2,385,000	1,019,653	3,404,653
2016	2,460,000	942,778	3,402,778
2017	2,560,000	843,836	3,403,836
2018 - 2022	7,990,000	1,204,987	9,194,987
2023 - 2027	9,410,000	544,204	9,954,204
2028 - 2029	1,945,000	40,356	1,985,356
	\$ 31,370,000	7,571,134	38,941,134

The District has pledged certain future tuition and fees to repay \$31.4 million in revenue bonds issued from 2003 to 2012. Proceeds from the bonds provided financing for the construction of classroom buildings and dormitories. Annual principal and interest payments on the bonds are expected to require approximately 20% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$38.9 million. Principal and interest paid for the current year and total of pledged tuition and fees were \$2.3 million and \$13.4 million, respectively.

(8) Advance Refunding

On May 24, 2012, the District issued \$21,370,000 of Consolidated Fund Revenue and Refunding Bonds – Series 2012 with interest rates ranging from 2% to 5%. The District issued the bonds to (1) advance refund \$15,755,000 of the outstanding Revenue and Refunding Bonds – Series 2003 with interest rates ranging from 2% to 5.375% , (2) construct, renovate, and equip buildings and facilities of the District, and (3) pay costs associated with the issuance of the bond. Approximately \$16.5 million of the proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunding portion of the 2003 series bonds. As a result, that portion of the 2003 series bonds is considered defeased, and the District has removed the liability from the accompanying Statement of Net Assets.

The reacquisition price exceeded the net carrying amount on the refunded portion of the 2003 series bonds by \$1,011,514. This amount is being netted against the outstanding balance of the new debt and amortized over the remaining life of the refunded debt which is equal to the life of the new debt. This advance refunding was undertaken to reduce total

Navarro College District

Notes to Financial Statements
(Continued)

(8) Advance Refunding (continued)

debt service payments over the next 15 years by \$1,855,049 and resulted in an economic gain of \$1,448,659.

(9) Defeased Bonds Outstanding

During 2012, the District defeased certain bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2012, the following bonds outstanding are considered defeased:

	<u>Year</u> <u>Refunded</u>	<u>Balance</u> <u>Outstanding</u>
Revenue and Refunding Bonds - Series 2003	2012	\$ 15,755,000

(10) 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, 2012 consisted of the following:

Building	\$ 4,651,416
Less: accumulated amortization	<u>(562,875)</u>
	<u>\$ 4,088,541</u>

The future minimum lease obligations and the net present value of future minimum lease payments as of August 31, 2012 are as follows:

<u>Fiscal Year</u>	
2013	\$ 321,375
2014	318,875
2015	321,125
2016	318,700
2017	321,900
2018 - 2022	1,651,330
2023 - 2027	1,704,165
2028 - 2029	<u>601,656</u>
Total minimum least payments	5,559,126
Less amounts representing interest (at rates ranging from 4% to 5%)	<u>1,758,010</u>
Present value of minimum capital lease payments	<u>\$ 3,801,116</u>

Navarro College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements 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. These amounts are set by the General Appropriations Act of the state. In certain circumstances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceed the statutory minimum.

Optional Retirement Program. The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (ORP) is in lieu of participation in the Teacher Retirement System of Texas. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.4%, respectively. The District supplements an additional 2.1%. Since these are individual annuity contracts, the state and the District have no additional or unfunded liability for this program.

Actual Funding. Contribution rates as a percentage of compensation and contributions made for TRS and ORP for 2010, 2011, and 2012 are shown in the table below.

Navarro College District

Notes to Financial Statements
(Continued)

(11) Employees' Retirement Plan (continued)

<u>Year</u>	<u>Member</u>		<u>State</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2012	6.4%	\$ 1,251,078	N/A	\$ 986,700
2011	6.4%	1,219,647	6.644%	1,069,465
2010	6.4%	1,174,581	6.644%	1,000,258

During the 2011 legislative session (for 2012), the Texas Legislature appropriated funding for TRS on behalf of community colleges equal to 6.0% of each district's unrestricted general revenue appropriation for each year of the biennium state budget. Consequently, the state funded an amount not based on compensation of members in the system and one that is less than that required under the Texas Constitution (not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year). As a result, TRS initially requested the District to remit the difference between the required state funding policy amount, and the amount appropriated and funded by the state. However, the District is not aware of any legal requirement that places responsibility for the appropriation shortfall on it, and did not make any payments to TRS for the shortfall currently estimated at approximately \$75,000. There is currently no pending litigation concerning this issue, i.e., either to hold that the state appropriations satisfy the requirements or to attempt to collect any shortfall contributions from the District. The District believes the state is legally responsible for making all contributions required by the state funding policy on behalf of its employees.

The total payroll for all College employees was \$23,494,681 and \$22,671,436 for the years ended August 31, 2012 and 2011, respectively. The total payroll of employees covered by TRS was \$15,469,041 and \$14,981,548, and the total payroll of employees covered by ORP was \$4,079,044 and \$4,075,437 for the years ended August 31, 2012 and 2011, respectively.

(12) 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 \$504,169 and \$477,716 at August 31, 2012 and 2011, 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:

Navarro College District
Notes to Financial Statements
(Continued)

(12) Compensated Absences (continued)

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

The District recognized an accrued liability for the unpaid sick leave of \$1,542,292 and \$1,445,000 at August 31, 2012 and 2011, respectively.

(13) Risk Management

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of year	\$ 85,021	132,091	61,820
Incurred claims (including IBNR) and changes to prior year estimates	101,243	(17,140)	100,491
Claim payments	(51,430)	(29,930)	(30,220)
Unpaid claims, end of year	\$ 134,834	85,021	132,091

Navarro College District

Notes to Financial Statements (Continued)

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

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

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

The employer's share of the cost of retiree healthcare coverage above the cost charged using a blended rate is known as the implicit rate subsidy. It is measured as the difference between the claims costs for the retirees and the amounts contributed by the retirees determined on a pay-as-you-go basis. State contributions to SRHP made on behalf of the District for the years ended August 31, 2012, 2011 and 2010 were \$438,752, \$349,957, and \$349,566, respectively, and are reported as revenues and expenses in the accompanying financial statements. The District's contributions to SRHP for the years ended August 31, 2012, 2011 and 2010 were \$47,865, \$81,480, and \$46,523, respectively, which equaled the required contributions each year.

(15) 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 \$970,296 and \$1,013,208 in 2012 and 2011, respectively. Participant contributions were \$606,142 and \$633,017 in 2012 and 2011, respectively.

(16) 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:

Navarro College District

Notes to Financial Statements
(Continued)

(16) Ad Valorem Property Taxes (continued)

	2012	2011
Assessed valuation of the District	\$ 2,796,227,018	2,731,703,393
Less: Abatements	44,823,964	48,574,739
Less: Exemptions	69,321,917	67,956,570
Net assessed valuation of the District	\$ 2,682,081,137	2,615,172,084

Tax rates authorized and assessed during fiscal year 2012 are as follows:

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

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

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

Taxes levied for the year ended August 31, 2012 are \$3,180,945. 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, 2012 are as follows:

	Current Operations	Debt Service	Total
Current taxes collected	\$ 3,087,590	-	3,087,590
Delinquent taxes collected	83,414	-	83,414
Penalties and interest collected	53,894	-	53,894
Total collections	\$ 3,224,898	-	3,224,898

Navarro College District

Notes to Financial Statements
(Continued)

(16) Ad Valorem Property Taxes (continued)

Taxes levied for the year ended August 31, 2011 are \$3,095,962. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Tax collections for the year ended August 31, 2011 are as follows:

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

Tax collections for the years ended August 31, 2012 and 2011 were 97% of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(17) 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.

(18) 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 2012 or 2011.

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

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

Navarro College District

Notes to Financial Statements (Continued)

(18) Income Taxes (continued)

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.

(19) 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.

(20) 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.

(21) Transactions with Component Unit

The District received contributions from the Foundation for the years ended August 31, 2012 and 2011 in the amount of \$23,428 and \$48,302, respectively. Also, as discussed in Note 1, the Foundation expended \$205,984 and \$209,179 for the years ended August 31, 2012 and 2011, respectively, directly to the District or to the District on behalf of students for scholarships.

(22) Authoritative Pronouncements Not Yet Adopted

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

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

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

Navarro College District

Notes to Financial Statements (Continued)

(22) Authoritative Pronouncements Not Yet Adopted (continued)

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement 63) – The objective of Statement 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources (i.e. consumption of net assets that is applicable to a future reporting period and acquisition of net assets that is applicable to a future reporting period, respectively – distinct from assets and liabilities). In addition, Statement 63 provides financial reporting guidance for net position which represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Statement 65) – The objective of Statement 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of Statement 65 are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement 68) – The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions and to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of Statement 65 are effective for financial statements for periods beginning after June 15, 2014.

(23) Subsequent Events

In October 2012, the District, as part of a consortium, was awarded a grant from the Department of Labor for a three-year period. The grant will assist the consortium in providing necessary skills training, certifications, and degrees to eligible individuals in certain aspects of oil and natural gas production and consumption. The District's budget for this grant has been established at approximately \$2.7 million.

Navarro College District

Notes to Financial Statements
(Continued)

(23) Subsequent Events (continued)

The District has evaluated subsequent events from the date of the statements of net assets through November 30, 2012, the date on which the financial statements were available to be issued, and has determined that there are no other items to disclose.



Supplemental Information



Navarro College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2012
(With Totals for the Year Ended August 31, 2011)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2012	2011
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 1,451,200	-	1,451,200	-	1,451,200	1,459,384
Out-of-district resident tuition	6,231,848	-	6,231,848	-	6,231,848	5,950,002
Non-resident tuition	733,457	-	733,457	-	733,457	715,092
TPEG - credit (set aside)	476,285	-	476,285	-	476,285	463,054
State funded continuing education	373,049	-	373,049	-	373,049	413,280
TPEG - non-credit (set aside)	24,060	-	24,060	-	24,060	26,338
Non-state funded educational programs	13,515	-	13,515	-	13,515	5,804
Total tuition	<u>9,303,414</u>	<u>-</u>	<u>9,303,414</u>	<u>-</u>	<u>9,303,414</u>	<u>9,032,954</u>
Fees:						
Building use fees	4,067,828	-	4,067,828	-	4,067,828	3,950,605
Student services fees	1,097,187	-	1,097,187	-	1,097,187	1,116,095
Laboratory fees	400,598	-	400,598	-	400,598	419,897
Out-of-district fees	6,016,339	-	6,016,339	-	6,016,339	5,863,890
Other fees	197,999	-	197,999	-	197,999	203,906
Total fees	<u>11,779,951</u>	<u>-</u>	<u>11,779,951</u>	<u>-</u>	<u>11,779,951</u>	<u>11,554,393</u>
Scholarship allowances and discounts:						
Scholarship allowance	(7,932,457)	-	(7,932,457)	-	(7,932,457)	(6,526,396)
TPEG awards	(433,964)	-	(433,964)	-	(433,964)	(301,528)
Total scholarship allowances	<u>(8,366,421)</u>	<u>-</u>	<u>(8,366,421)</u>	<u>-</u>	<u>(8,366,421)</u>	<u>(6,827,924)</u>
Total net tuition and fees	<u>12,716,944</u>	<u>-</u>	<u>12,716,944</u>	<u>-</u>	<u>12,716,944</u>	<u>13,759,423</u>
Additional operating revenues:						
Sales and services of educational activities	448,874	-	448,874	-	448,874	421,584
Other operating revenues	129,911	-	129,911	-	129,911	100,877
Total additional operating revenues	<u>578,785</u>	<u>-</u>	<u>578,785</u>	<u>-</u>	<u>578,785</u>	<u>522,461</u>
Auxiliary enterprises:						
Bookstore	-	-	-	6,615,635	6,615,635	6,568,193
less discounts	-	-	-	(1,972,085)	(1,972,085)	(1,609,439)
Dining services	-	-	-	2,477,261	2,477,261	2,402,579
less discounts	-	-	-	(896,402)	(896,402)	(731,563)
Housing	-	-	-	1,823,536	1,823,536	1,846,135
less discounts	-	-	-	(717,122)	(717,122)	(585,251)
Athletic sales and student programs	-	-	-	15,502	15,502	22,114
Gift shop	-	-	-	30,519	30,519	27,794
Other auxiliary enterprises	-	-	-	28,332	28,332	87,366
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,405,176</u>	<u>7,405,176</u>	<u>8,027,928</u>
Total operating revenues	<u>\$ 13,295,729</u>	<u>-</u>	<u>13,295,729</u>	<u>7,405,176</u>	<u>20,700,905</u>	<u>22,309,812</u>

In accordance with Education Code 56.033, \$500,345 and \$489,392 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2012 and 2011, respectively.

See accompanying independent auditors' report.

Navarro College District

Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2012
(With Totals for the Year Ended August 31, 2011)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2012	2011
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 12,484,880	-	2,326,410	895,533	15,706,823	15,051,098
Public service	30,375	-	5,661	4,073	40,109	38,173
Academic support	2,405,711	-	448,276	438,852	3,292,839	3,318,894
Student services	2,157,628	-	402,048	589,505	3,149,181	2,885,211
Institutional support	2,774,650	-	517,023	1,646,264	4,937,937	4,674,123
Operation and maintenance of plant	715,335	-	133,294	3,216,230	4,064,859	4,510,421
Total unrestricted educational activities	<u>20,568,579</u>	<u>-</u>	<u>3,832,712</u>	<u>6,790,457</u>	<u>31,191,748</u>	<u>30,477,920</u>
Restricted - educational activities:						
Instruction	532,455	1,005,543	69,371	485,608	2,092,977	3,116,414
Public service	109,938	2,446	35,598	93,093	241,075	190,718
Academic support	-	193,758	-	-	193,758	260,281
Student services	357,857	173,777	57,453	293,523	882,610	791,799
Institutional support	-	223,473	-	29,702	253,175	348,653
Operation and maintenance of plant	-	57,614	-	-	57,614	72,560
Scholarships and fellowships	-	-	-	13,672,996	13,672,996	17,996,557
Total restricted educational activities	<u>1,000,250</u>	<u>1,656,611</u>	<u>162,422</u>	<u>14,574,922</u>	<u>17,394,205</u>	<u>22,776,982</u>
Total educational activities	<u>21,568,829</u>	<u>1,656,611</u>	<u>3,995,134</u>	<u>21,365,379</u>	<u>48,585,953</u>	<u>53,254,903</u>
Auxiliary enterprises	<u>1,925,852</u>	<u>-</u>	<u>400,107</u>	<u>9,763,039</u>	<u>12,088,998</u>	<u>11,880,415</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	1,348,223	1,348,223	1,257,152
Equipment and furniture	-	-	-	445,752	445,752	389,448
Library books	-	-	-	61,633	61,633	57,328
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,855,608</u>	<u>1,855,608</u>	<u>1,703,928</u>
Total operating expenses	<u>\$ 23,494,681</u>	<u>1,656,611</u>	<u>4,395,241</u>	<u>32,984,026</u>	<u>62,530,559</u>	<u>66,839,246</u>

See accompanying independent auditors' report.

Navarro College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2012
(With Totals for the Year Ended August 31, 2011)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2012	2011
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 15,639,707	-	-	15,639,707	14,070,243
State group insurance	-	904,354	-	904,354	1,243,983
State retirement matching	-	986,700	-	986,700	1,069,465
Total state appropriations	15,639,707	1,891,054	-	17,530,761	16,383,691
Maintenance ad valorem taxes	3,228,761	-	-	3,228,761	3,122,756
Federal grants and contracts	-	24,701,880	-	24,701,880	27,228,331
State grants and contracts	-	1,339,234	-	1,339,234	1,911,420
Local grants and contracts	-	78,135	-	78,135	124,667
Investment income	94,900	37,108	14,894	146,902	153,555
Gifts and donations	-	834,579	-	834,579	762,018
Other nonoperating revenues	101,365	29,707	-	131,072	140,438
Total nonoperating revenues	19,064,733	28,911,697	14,894	47,991,324	49,826,876
Nonoperating expenses:					
Interest on capital related debt	1,394,086	-	-	1,394,086	1,493,617
Other nonoperating expenses	68,561	-	-	68,561	75,878
Total nonoperating expenses	1,462,647	-	-	1,462,647	1,569,495
Net nonoperating revenues	\$ 17,602,086	28,911,697	14,894	46,528,677	48,257,381

See accompanying independent auditors' report.

Navarro College District

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

Year Ended August 31, 2012

	Detail by Source				Available for Current Operation	
	Unrestricted	Restricted - Expendable	Invested in Capital Assets, Net of Related Debt	Total	Yes	No
Current:						
Unrestricted	\$ 11,032,755	-	-	11,032,755	11,032,755	-
Auxiliary	3,427,673	-	-	3,427,673	3,427,673	-
Scholarships and fellowships	-	2,653,110	-	2,653,110	-	2,653,110
Plant:						
Debt service	-	310,446	-	310,446	-	310,446
Investment in plant	-	-	27,439,037	27,439,037	-	27,439,037
 Total net assets, August 31, 2012	 14,460,428	 2,963,556	 27,439,037	 44,863,021	 14,460,428	 30,402,593
 Total net assets, August 31, 2011	 <u>11,114,303</u>	 <u>3,018,291</u>	 <u>26,031,404</u>	 <u>40,163,998</u>	 <u>11,114,303</u>	 <u>29,049,695</u>
 Net increase in net assets	 <u>\$ 3,346,125</u>	 <u>(54,735)</u>	 <u>1,407,633</u>	 <u>4,699,023</u>	 <u>3,346,125</u>	 <u>1,352,898</u>

See accompanying independent auditors' report.

Navarro College District

Schedule of Expenditures of Federal Awards
(Schedule E)

Year Ended August 31, 2012

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grant Program	84.007		\$ 203,484
Federal Work Study Program	84.033		177,258
Federal Pell Grant Program	84.063		22,549,399
Federal Direct Student Loans	84.268		31,751,242
Teacher Education Assistance for College and Higher Education	84.379		<u>18,000</u>
Total Student Financial Assistance Cluster			54,699,383
TRIO Cluster:			
TRIO - Student Support Services	84.042A		<u>374,335</u>
Total Direct Programs			55,073,718
Pass Through From:			
Texas Education Agency:			
Adult Basic Education	84.002A	094100017110266	389,220
Texas Higher Education Coordinating Board:			
Vocational Education - Carl Perkins	84.048	124257	<u>561,493</u>
Total U. S. Department of Education			<u>56,024,431</u>
<u>U. S. Department of Labor</u>			
Direct Program:			
Community Based Job Training Grant	17.269		206,443
Pass Through From North Central Texas Council of Governments:			
Workforce Solutions of North Central Texas			
Community Based Job Training Grant			
Texas Logistics Consortium	17.269	FY10-DOLCBJT-06	<u>55,725</u>
			<u>262,168</u>
Total U.S. Department of Labor			<u>262,168</u>

Navarro College District

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

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U. S. Small Business Administration</u>			
Pass Through From Dallas County Community College District:			
Small Business Development Center	59.037	10-803001-Z-0076-24	\$ 71,282
Small Business Development Center	59.037	1-603001-Z-0146	3,399
Small Business Job Acts Program	59.037	1-603001-Z-0152	<u>55,436</u>
Total U. S. Small Business Administration			<u>130,117</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From Texas Education Agency:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	093625017110250	<u>36,406</u>
Total U.S. Department of Health and Human Services			<u>36,406</u>
Total Federal Awards			<u>\$ 56,453,122</u>

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

Navarro College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2012

(1) Federal Revenue Reconciliation

Federal revenues for the year ended August 31, 2012 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 24,701,880
Add: Federal Direct Student Loans made	<u>31,751,242</u>
Total per Schedule of Expenditures of Federal Awards	\$ <u>56,453,122</u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(4) Subrecipients

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Based Job Training	17.269	\$ <u>60,834</u>



Navarro College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2012

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board:		
State Work Study		\$ 48,261
Texas Grant Program		642,136
Texas Education Opportunity Grants		119,065
Texas Tomorrow Fund		73,173
Certified Education Aide		31
Top 10%		28,000
Nursing Shortage Grant Program Reg		28,752
Nursing Shortage Grant Program Over 70		94,382
Total Texas Higher Education Coordinating Board		<u>1,033,800</u>
Texas Education Agency:		
State Adult Education	110100017110370	91,849
Total Texas Education Agency		<u>91,849</u>
Texas Department of State Health Services		
Pass-through from Texas Education Agency:		
Temporary Assistance for Needy Families	113625017110347	<u>18,910</u>
Texas Workforce Commission:		
Skills Development - Advanced Drainage System	0412XSD003	<u>2,098</u>
Texas State Comptroller:		
Jobs and Education for Texans - Equipment	4776-10	<u>56,307</u>
Total Texas State Comptroller		<u>56,307</u>
Small Business Development Center		<u>73,286</u>
Early High School Graduate		<u>22,893</u>
Charley Wootan		<u>40,091</u>
Total State Awards		<u>\$ 1,339,234</u>

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



Navarro College District

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2012

(1) State Revenue Reconciliation

State revenues for the year ended August 31, 2012 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>1,339,234</u>
Total per Schedule of Expenditures of State Awards	\$ <u>1,339,234</u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the District under programs of the state government for the year ended August 31, 2012. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* contained in the state's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the state's *Uniform Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



Statistical Section

Financial Trends Information

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

- Net Assets by Component
- Revenues by Source
- Expenses by Function and Changes in Net Assets

Revenue Capacity Information

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

- Tuition and Fees
- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Taxpayers
- Property Tax Levies and Collections

Debt Capacity Information

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

- Ratios of Outstanding Debt
- Legal Debt Margin Information
- Pledged Revenue Coverage

Demographic and Economic Information

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

- Demographic and Economic Statistics
- Principal Employers

Operating Information

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

- State Appropriation per Full-Time Student Equivalents and Contact Hour Faculty, Staff, and Administrators Statistics
- Enrollment Details
- Student Profile
- Transfers to Senior Institutions
- Capital Asset Information

Navarro College District

Net Assets by Component
Last Ten Fiscal Years
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt	\$ 27,439,037	26,031,404	23,238,115	22,732,156
Restricted	2,963,556	3,018,291	3,007,776	3,170,455
Unrestricted	<u>14,460,428</u>	<u>11,114,303</u>	<u>10,190,160</u>	<u>6,790,966</u>
Total net assets	\$ <u><u>44,863,021</u></u>	<u><u>40,163,998</u></u>	<u><u>36,436,051</u></u>	<u><u>32,693,577</u></u>

August 31,					
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
21,529,891	20,425,989	21,532,452	21,173,689	20,707,351	15,590,718
3,371,239	3,344,836	3,270,450	3,282,817	3,194,512	3,020,182
<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><u>30,313,931</u></u>	<u><u>29,638,252</u></u>	<u><u>29,197,044</u></u>	<u><u>28,492,591</u></u>	<u><u>28,422,143</u></u>	<u><u>22,191,124</u></u>

Navarro College District

Revenues by Source
Last Ten Fiscal Years
(Unaudited)

	2012	2011	2010	2009
Tuition and fees (net of discounts)	\$ 12,716,944	13,759,423	13,325,558	11,425,170
Sales and services of educational activities	448,874	421,584	373,842	362,637
Auxiliary enterprises (net of discounts)	7,405,176	8,027,928	7,773,268	7,516,783
Other operating revenues	129,911	100,877	98,943	119,684
Total operating revenues	<u>20,700,905</u>	<u>22,309,812</u>	<u>21,571,611</u>	<u>19,424,274</u>
State appropriations	17,530,761	16,383,691	16,719,942	14,788,419
Ad valorem taxes for maintenance and operations	3,228,761	3,122,756	2,988,424	2,868,682
Federal grants and contracts	24,701,880	27,228,331	22,755,722	13,816,025
State grants and contracts	1,339,234	1,911,420	1,575,161	1,097,098
Local grants and contracts	78,135	124,667	122,593	261,910
Investment income	146,902	153,555	193,952	279,352
Gifts	834,579	762,018	635,150	699,769
Other non-operating revenues	62,511	64,560	479,948	-
Gain on sale of capital assets	-	-	-	-
Total non-operating revenues	<u>47,922,763</u>	<u>49,750,998</u>	<u>45,470,892</u>	<u>33,811,255</u>
Total revenues	<u>\$ 68,623,668</u>	<u>72,060,810</u>	<u>67,042,503</u>	<u>53,235,529</u>
Tuition and fees (net of discounts)	18.53%	19.09%	19.88%	21.46%
Sales and services of educational activities	0.65%	0.59%	0.56%	0.68%
Auxiliary enterprises (net of discounts)	10.79%	11.14%	11.59%	14.12%
Other operating revenues	0.19%	0.14%	0.15%	0.22%
Total operating revenues	<u>30.17%</u>	<u>30.96%</u>	<u>32.18%</u>	<u>36.49%</u>
State appropriations	25.55%	22.74%	24.94%	27.78%
Ad valorem property taxes for maintenance and operations	4.71%	4.33%	4.46%	5.39%
Federal grants and contracts	36.00%	37.79%	33.94%	25.95%
State grants and contracts	1.95%	2.65%	2.35%	2.06%
Local grants and contracts	0.11%	0.17%	0.18%	0.49%
Investment income	0.21%	0.21%	0.29%	0.52%
Gifts	1.22%	1.06%	0.95%	1.31%
Other non-operating revenues	0.09%	0.09%	0.72%	0.00%
Gain on sale of capital assets	0.00%	0.00%	0.00%	0.00%
Total non-operating revenues	<u>69.83%</u>	<u>69.04%</u>	<u>67.82%</u>	<u>63.51%</u>
Total non-operating revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

For the Year Ended August 31,

2008	2007	2006	2005	2004	2003
10,123,664	5,361,391	5,522,555	5,462,894	4,084,042	3,125,956
358,946	323,871	302,157	309,673	259,937	99,911
6,528,184	4,614,339	4,088,933	3,402,443	2,784,283	2,670,875
98,376	177,827	226,393	159,978	185,027	218,294
<u>17,109,170</u>	<u>10,477,428</u>	<u>10,140,038</u>	<u>9,334,988</u>	<u>7,313,289</u>	<u>6,115,036</u>
14,443,224	13,776,780	13,991,286	10,487,726	10,153,252	9,900,296
2,686,447	2,699,632	2,483,723	2,302,370	2,295,887	2,077,465
10,894,527	9,431,603	9,887,235	9,712,239	9,200,485	8,539,636
1,026,892	938,010	638,876	578,687	123,677	756,683
297,581	128,462	105,942	114,415	120,458	178,689
456,823	620,102	481,994	382,527	376,719	412,460
793,110	607,580	608,458	560,903	5,132,837	55,615
38,049	8,350	56,748	87,152	-	-
-	-	484,375	-	132,566	-
<u>30,636,653</u>	<u>28,210,519</u>	<u>28,738,637</u>	<u>24,226,019</u>	<u>27,535,881</u>	<u>21,920,844</u>
<u>47,745,823</u>	<u>38,687,947</u>	<u>38,878,675</u>	<u>33,561,007</u>	<u>34,849,170</u>	<u>28,035,880</u>
21.20%	13.86%	14.20%	16.28%	11.72%	11.15%
0.75%	0.84%	0.78%	0.92%	0.75%	0.36%
13.67%	11.93%	10.52%	10.14%	7.99%	9.53%
0.21%	0.46%	0.58%	0.48%	0.53%	0.78%
<u>35.83%</u>	<u>27.08%</u>	<u>26.08%</u>	<u>27.81%</u>	<u>20.99%</u>	<u>21.81%</u>
30.25%	35.61%	35.99%	31.25%	29.13%	35.31%
5.63%	6.98%	6.39%	6.86%	6.59%	7.41%
22.82%	24.38%	25.43%	28.94%	26.40%	30.46%
2.15%	2.42%	1.64%	1.72%	0.35%	2.70%
0.62%	0.33%	0.27%	0.34%	0.35%	0.64%
0.96%	1.60%	1.24%	1.14%	1.08%	1.47%
1.66%	1.57%	1.57%	1.67%	14.73%	0.20%
0.08%	0.02%	0.15%	0.26%	0.00%	0.00%
0.00%	0.00%	1.25%	0.00%	0.38%	0.00%
<u>64.17%</u>	<u>72.92%</u>	<u>73.92%</u>	<u>72.19%</u>	<u>79.01%</u>	<u>78.19%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Navarro College District

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

	2012	2011	2010	2009
Instruction	\$ 17,799,800	18,167,513	17,540,069	16,061,086
Public service	281,184	228,891	194,113	173,343
Academic support	3,486,597	3,579,175	3,436,714	3,045,243
Student services	4,031,791	3,677,010	3,838,251	3,058,628
Institutional support	5,191,112	5,022,776	5,054,143	4,400,790
Operation and maintenance of plant	4,122,473	4,582,981	3,743,411	3,427,220
Scholarships and fellowships	13,672,996	17,996,557	16,350,302	8,538,915
Auxiliary enterprises	12,088,998	11,880,415	10,082,097	9,252,131
Depreciation	1,855,608	1,703,928	1,574,211	1,539,247
Total operating expenses	<u>62,530,559</u>	<u>66,839,246</u>	<u>61,813,311</u>	<u>49,496,603</u>
Interest on capital related debt	1,394,086	1,493,617	1,486,718	1,359,280
Total non-operating expenses	<u>1,394,086</u>	<u>1,493,617</u>	<u>1,486,718</u>	<u>1,359,280</u>
Total expenses	<u>\$ 63,924,645</u>	<u>68,332,863</u>	<u>63,300,029</u>	<u>50,855,883</u>
Change in net assets	<u>\$ 4,699,023</u>	<u>290,805</u>	<u>8,760,781</u>	<u>2,379,646</u>
Instruction	27.84%	26.59%	27.71%	31.58%
Public service	0.44%	0.33%	0.31%	0.34%
Academic support	5.45%	5.24%	5.43%	5.99%
Student services	6.31%	5.38%	6.06%	6.01%
Institutional support	8.12%	7.35%	7.98%	8.65%
Operation and maintenance of plant	6.45%	6.71%	5.91%	6.74%
Scholarships and fellowships (net of discounts)	21.39%	26.34%	25.83%	16.79%
Auxiliary enterprises	18.91%	17.39%	15.93%	18.19%
Depreciation	2.90%	2.49%	2.49%	3.03%
Total operating expenses	<u>97.82%</u>	<u>97.81%</u>	<u>97.65%</u>	<u>97.33%</u>
Interest on capital related debt	2.18%	2.19%	2.35%	2.67%
Total non-operating expenses	<u>2.18%</u>	<u>2.19%</u>	<u>2.35%</u>	<u>2.67%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

For the Year Ended August 31,

2008	2007	2006	2005	2004	2003
14,955,025	13,753,775	13,296,066	12,500,569	11,621,720	11,673,577
157,488	125,816	135,365	123,866	19,341	16,109
2,800,470	2,768,153	3,101,135	2,255,733	1,754,738	1,784,211
2,693,937	2,369,268	2,294,807	1,636,654	1,532,696	1,621,629
4,227,103	4,237,693	3,990,424	3,161,359	2,870,416	2,473,797
3,732,384	3,196,937	3,250,343	2,453,004	2,234,986	2,013,947
7,061,974	1,271,148	2,309,532	2,325,806	564,981	592,402
8,585,730	7,912,581	7,324,740	6,851,913	6,125,073	5,454,594
1,475,450	1,395,899	1,283,753	1,091,485	755,684	666,374
<u>45,689,561</u>	<u>37,031,270</u>	<u>36,986,165</u>	<u>32,400,389</u>	<u>27,479,635</u>	<u>26,296,640</u>
<u>1,378,430</u>	<u>1,215,469</u>	<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,516</u>	<u>572,173</u>
<u>1,378,430</u>	<u>1,215,469</u>	<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,516</u>	<u>572,173</u>
<u>47,067,991</u>	<u>38,246,739</u>	<u>38,174,222</u>	<u>33,436,098</u>	<u>28,618,151</u>	<u>26,868,813</u>
<u>675,679</u>	<u>441,208</u>	<u>704,453</u>	<u>124,909</u>	<u>6,231,019</u>	<u>1,167,067</u>
31.77%	35.96%	34.83%	37.39%	40.61%	43.45%
0.33%	0.33%	0.35%	0.37%	0.07%	0.06%
5.95%	7.24%	8.12%	6.75%	6.13%	6.64%
5.72%	6.19%	6.01%	4.89%	5.36%	6.04%
8.98%	11.08%	10.45%	9.45%	10.03%	9.21%
7.93%	8.36%	8.51%	7.34%	7.81%	7.50%
15.00%	3.32%	6.05%	6.96%	1.97%	2.20%
18.24%	20.69%	19.19%	20.49%	21.40%	20.30%
3.13%	3.65%	3.36%	3.26%	2.64%	2.48%
<u>97.07%</u>	<u>96.82%</u>	<u>96.89%</u>	<u>96.90%</u>	<u>96.02%</u>	<u>97.87%</u>
<u>2.93%</u>	<u>3.18%</u>	<u>3.11%</u>	<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>
<u>2.93%</u>	<u>3.18%</u>	<u>3.11%</u>	<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Navarro College District

Tuition and Fees
Last Ten Academic Years
(Unaudited)

Resident Students (1)

Fiscal Year (Fall)	Tuition		General Services Fee (2)	Matriculation Fee	Building Use Fee
	In-District	Out-of-District			
2012	\$ 432	840	-	11	216
2011	420	828	-	11	216
2010	384	768	-	11	204
2009	372	744	-	11	204
2008	372	732	-	10	204
2007	372	696	-	10	204
2006	360	648	-	10	144
2005	336	588	-	10	132
2004	324	576	(3)	(3)	132
2003	264	504	42	10	120

Vehicle Registration Fee	Total Cost		Increase from Prior Year		Semester Credit Hours
	In-District	Out-of-District	In-District	Out-of-District	
10	669	1,077	1.83%	1.13%	19,463
10	657	1,065	7.88%	7.25%	20,481
10	609	993	2.01%	2.48%	20,602
10	597	969	1.88%	1.36%	18,256
10	586	956	0.00%	5.05%	16,783
10	586	910	14.01%	13.47%	15,663
10	514	802	7.53%	9.86%	14,795
10	478	730	2.58%	1.67%	14,013
10	466	718	4.48%	4.66%	13,508
10	446	686	12.06%	16.27%	13,472

(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
2012	\$ 972	396	-	11	216
2011	972	396	-	11	216
2010	876	372	-	11	204
2009	811	360	-	11	204
2008	811	348	-	10	204
2007	809	324	-	10	204
2006	773	288	-	10	144
2005	677	252	-	10	132
2004	665	252	(3) -	(3) 10	132
2003	605	240	42	10	120

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

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

<u>Vehicle Registration Fee</u>	<u>Total Cost</u>	<u>Increase from Prior Year</u>	<u>Semester Credit Hours</u>
10	1,605	0.00%	3,852
10	1,605	8.96%	4,234
10	1,473	5.52%	3,531
10	1,396	0.94%	3,433
10	1,383	1.92%	3,233
10	1,357	10.78%	2,738
10	1,225	13.32%	3,785
10	1,081	1.12%	4,025
10	1,069	4.09%	4,325
10	1,027	14.62%	5,542

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
2012	\$ 2,796,227,018	114,145,881	2,682,081,137
2011	2,731,703,393	116,531,309	2,615,172,084
2010	2,659,140,974	126,618,871	2,532,522,103
2009	2,570,555,700	144,139,000	2,426,416,700
2008	2,386,173,918	167,814,765	2,218,359,153
2007	2,075,341,228	116,607,628	1,958,733,600
2006	1,854,903,155	114,170,514	1,740,732,641
2005	1,726,100,913	101,238,919	1,624,861,994
2004	1,645,733,535	91,710,674	1,554,022,861
2003	1,573,712,142	87,692,484	1,486,019,658

Source: Navarro County Tax Assessor - Collector

Notes: Property is assessed at full market value.

Assessed value of taxable property by class of real and personal property is not available from the Navarro County Tax Assessor-Collector.

(1) per \$100 taxable assessed valuation

Ratio of Taxable Value to Assessed Value	Estimated Actual Value	Direct Rates (1)		
		Maintenance and Operations	Debt Service	Total
95.92%	\$ 2,796,227,018	0.11900	-	0.11900
95.73%	2,731,703,393	0.11900	-	0.11900
95.24%	2,659,140,974	0.11900	-	0.11900
94.39%	2,570,555,700	0.11900	-	0.11900
92.97%	2,386,173,918	0.12000	-	0.12000
94.38%	2,075,341,228	0.13500	-	0.13500
93.84%	1,854,903,155	0.14050	-	0.14050
94.13%	1,726,100,913	0.14050	-	0.14050
94.43%	1,645,733,535	0.14050	-	0.14050
94.43%	1,573,712,142	0.14050	-	0.14050

Navarro College District

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Navarro College District	\$ 0.1190	0.1190	0.1190	0.1190
County:				
Navarro County	0.6270	0.6270	0.6270	0.5828
Cities:				
Barry	0.3661	0.3349	0.3393	0.3237
Blooming Grove	0.4900	0.4900	0.4859	0.4653
Corsicana	0.6272	0.6272	0.6272	0.6272
Dawson	0.4000	0.4000	0.3783	0.3783
Emhouse	0.2943	0.3072	0.3072	0.3072
Frost	0.5300	0.5000	0.5000	0.5000
Goodlow	0.0897	0.0897	0.0897	0.0897
Kerens	0.6434	0.6434	0.6434	0.6433
Rice	0.4700	0.4700	0.4200	0.3700
Richland	0.2189	0.2056	0.2056	0.2056
School Districts:				
Blooming Grove	1.1300	1.1300	1.1200	1.1200
Corsicana	1.2830	1.2830	1.2830	1.2857
Dawson	1.2900	1.2900	1.2900	1.2900
Frost	1.2550	1.2550	1.2321	1.2850
Kerens	1.1100	1.1100	1.1200	1.1227
Mildred	1.2798	1.2798	1.2498	1.2838
Rice	1.4200	1.4200	1.4200	1.4200

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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
0.1200	0.1350	0.1405	0.1405	0.1405	0.1405
0.5754	0.5973	0.6243	0.6246	0.6243	0.6246
0.3237	0.3279	0.3345	0.3380	0.3380	0.3380
0.4880	0.5000	0.4940	0.4383	0.4365	0.4387
0.6272	0.6272	0.6272	0.5995	0.5995	0.5995
0.3783	0.4143	0.4516	0.4335	0.4334	0.4268
0.3332	0.3332	0.3341	0.3377	0.3377	0.3377
0.5000	0.5000	0.5000	0.4834	0.4983	0.4900
0.8970	0.1000	0.1000	0.1000	-	-
0.6329	0.6584	0.6107	0.5500	0.5500	0.5500
0.3100	0.3200	0.3063	0.2675	0.2500	0.2294
0.2068	0.2009	0.2056	0.2082	0.2079	0.1964
1.1231	1.4530	1.5830	1.5781	1.5000	1.5000
1.2850	1.5038	1.6746	1.5208	1.4908	1.4908
1.2900	1.3700	1.5000	1.5000	1.5000	1.5000
1.1550	1.4600	1.5650	1.5300	1.4300	1.4300
1.1000	1.3060	1.4000	1.4000	1.4000	1.4000
1.2427	1.3027	1.4220	1.4220	1.4220	1.4220
1.1809	1.4882	1.5896	1.5720	1.5822	1.5696

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Unaudited)

Taxpayer	Type of Business	2012	2011	2010
Energy Transfer Fuel LP	Electric Company	\$ 80,588,880	79,919,230	73,045,150
Guardian Industry - Abated	Glass Manufacturer	47,902,205	47,719,270	22,251,050
Oncor Electric Delivery	Electric Utility	43,840,090	42,244,260	43,925,930
Russell Stover Candies - Abated	Candy Manufacturer	41,788,490	43,777,148	46,518,140
HD USA 5147	Manufacturer	39,242,590	33,662,336	46,870,610
Corsicana Technologies, Inc.	Manufacturer	32,423,520	24,295,930	25,664,420
True Value Co. - Non-Abated	Retail Distribution	30,657,820	32,844,610	32,697,650
Union Pacific	Railroad	23,181,290	21,388,410	-
Sunoco Pipeline LP	Pipeline Company	21,707,000	-	-
Magellan Pipeline Co, LP	Pipeline Company	19,588,170	20,108,295	21,925,300
Burlington Northern Santa Fe	Railroad	-	15,374,710	-
National Industrial Portfolio Borrower	Real Estate Investment	-	-	36,936,320
Guardian Industry	Glass Manufacturer	-	-	28,643,210
Home Depot	Retail Distribution	-	-	-
Pactiv-Foam	Foam Manufacturer	-	-	-
Kohl's Distribution	Retail Distribution	-	-	-
TXU Electric	Electric Company	-	-	-
TXI Operations LP	Manufacturer	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Equilon Pipeline Company	Oil Distribution	-	-	-
K-Mart Corporation	Retail Distribution	-	-	-
Mobil Pipeline	Oil Distribution	-	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	-
Swift Transportation	Transportation	-	-	-
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abated	Retail Distribution	-	-	-
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
		<u>\$ 380,920,055</u>	<u>361,334,199</u>	<u>378,477,780</u>
Totals		<u>\$ 380,920,055</u>	<u>361,334,199</u>	<u>378,477,780</u>
Net taxable assessed value		<u>\$ 2,682,081,137</u>	<u>2,615,172,084</u>	<u>2,532,522,103</u>

Taxable Assessed Value						
2009	2008	2007	2006	2005	2004	2003
-	29,956,070	20,924,160	-	-	-	-
35,546,950	36,583,990	-	18,249,660	19,030,070	-	-
-	48,008,780	-	-	42,837,170	-	-
45,322,760	47,028,340	26,029,795	27,311,080	25,355,140	21,916,170	8,499,420
-	-	-	-	-	-	-
26,541,670	-	14,288,340	-	-	-	-
36,338,740	25,173,180	24,754,330	-	-	-	-
-	-	-	13,088,980	13,393,540	-	-
-	-	16,331,100	-	-	-	-
19,779,490	19,760,200	16,695,070	-	-	-	-
-	-	-	-	-	-	-
18,241,000	19,051,900	-	-	-	-	-
16,285,710	31,867,020	35,066,100	30,321,450	27,881,140	47,066,430	30,638,830
36,383,870	61,084,750	37,313,868	-	-	-	-
14,423,940	-	-	14,431,380	14,076,830	30,638,830	11,796,340
12,848,920	19,001,110	-	11,238,160	-	-	-
-	-	46,825,980	45,837,720	-	-	-
-	-	13,809,390	-	-	-	-
-	-	-	-	-	11,406,370	6,115,150
-	-	-	-	-	-	-
-	-	-	-	-	52,168,950	57,350,490
-	-	-	-	-	-	-
-	-	-	-	-	11,683,940	6,118,700
-	-	-	-	-	15,792,250	7,342,500
-	-	-	7,491,480	6,655,720	-	-
-	-	-	-	-	11,796,340	6,268,350
-	-	-	11,558,680	-	-	-
-	-	-	-	13,458,916	-	-
-	-	-	-	10,565,510	-	-
-	-	-	22,615,740	22,179,070	42,863,960	21,916,170
-	-	-	-	-	12,188,290	6,511,390
<u>261,713,050</u>	<u>337,515,340</u>	<u>252,038,133</u>	<u>202,144,330</u>	<u>195,433,106</u>	<u>257,521,530</u>	<u>162,557,340</u>
<u>2,426,416,700</u>	<u>2,218,359,153</u>	<u>1,958,733,600</u>	<u>1,740,732,641</u>	<u>1,624,861,994</u>	<u>1,554,022,861</u>	<u>1,486,019,658</u>

(Continued)

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Continued)

Taxpayer	Type of Business	2012	2011	2010
Energy Transfer Fuel LP	Electric Company	3.00%	3.06%	2.88%
Guardian Industry - Abated	Glass Manufacturer	1.79%	1.82%	0.88%
Oncor Electric Delivery	Electric Utility	1.63%	1.62%	1.73%
Russell Stover Candies - Abated	Candy Manufacturer	1.56%	1.67%	1.84%
HD USA 5147	Manufacturer	1.46%	1.29%	1.85%
Corsicana Technologies, Inc.	Manufacturer	1.21%	0.93%	1.01%
True Value Co. - Non-Abated	Retail Distribution	1.14%	1.26%	1.29%
Union Pacific	Railroad	0.86%	0.82%	-
Sunoco Pipeline LP	Pipeline Company	0.81%	-	-
Magellan Pipeline Co, LP	Pipeline Company	0.73%	0.77%	0.87%
Burlington Northern Santa Fe	Railroad	-	0.59%	-
National Industrial Portfolio Borrower	Real Estate Investment	-	-	1.46%
Guardian Industry	Glass Manufacturer	-	-	1.13%
Home Depot	Retail Distribution	-	-	-
Pactiv-Foam	Foam Manufacturer	-	-	-
Kohl's Distribution	Retail Distribution	-	-	-
TXU Electric	Electric Company	-	-	-
TXI Operations LP	Manufacturer	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
K-Mart Corporation	Retail Distribution	-	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	-
Swift Transportation	Transportation	-	-	-
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abated	Retail Distribution	-	-	-
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
		14.20%	13.82%	14.94%

Source: Navarro County Appraisal District

Taxable Assessed Value						
2009	2008	2007	2006	2005	2004	2003
-	1.35%	1.07%	-	-	-	-
1.46%	1.65%	-	1.05%	1.17%	-	-
-	2.16%	-	-	2.64%	-	-
1.87%	2.12%	1.33%	1.57%	1.56%	1.41%	0.57%
-	-	-	-	-	-	-
1.09%	-	0.73%	-	-	-	-
1.50%	1.13%	1.26%	-	-	-	-
-	-	-	-	-	-	-
-	-	0.83%	-	-	-	-
0.82%	0.89%	0.85%	-	-	-	-
-	-	-	-	-	-	-
0.75%	0.86%	-	-	-	-	-
0.67%	1.44%	1.79%	1.74%	1.72%	3.03%	2.06%
1.50%	2.75%	1.90%	-	-	-	-
0.59%	-	-	0.83%	0.87%	1.97%	0.79%
0.53%	0.86%	-	0.65%	-	-	-
-	-	2.39%	2.63%	-	-	-
-	-	0.71%	-	-	-	-
-	-	-	-	-	0.73%	0.41%
-	-	-	-	-	3.36%	3.86%
-	-	-	-	-	0.75%	0.41%
-	-	-	-	-	1.02%	0.49%
-	-	-	0.43%	0.41%	-	-
-	-	-	-	-	0.76%	0.42%
-	-	-	0.66%	-	-	-
-	-	-	-	0.83%	-	-
-	-	-	-	0.65%	-	-
-	-	-	1.30%	1.36%	2.76%	1.47%
-	-	-	-	-	0.78%	0.44%
<u>10.79%</u>	<u>15.21%</u>	<u>12.87%</u>	<u>10.86%</u>	<u>11.20%</u>	<u>16.57%</u>	<u>10.94%</u>

Navarro College District

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

<u>Fiscal Year</u>	<u>Original Levy</u>	<u>Cumulative Levy Adjustments</u>	<u>Total Adjusted Tax Levy</u>
2012	\$ 3,192,388	(11,443)	3,180,945
2011	3,112,065	(16,103)	3,095,962
2010	3,013,738	(19,450)	2,994,288
2009	2,886,719	(9,280)	2,877,439
2008	2,661,925	(1,264)	2,660,661
2007	2,644,308	2,237	2,646,545
2006	2,445,735	(11,085)	2,434,650
2005	2,282,942	(2,904)	2,280,038
2004	2,183,412	(794)	2,182,618
2003	2,087,767	(3,057)	2,084,710

Source: Navarro County Tax Assessor-Collector

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

Collections - Year of Levy			Collections in Subsequent Years	Total Collections To Date	
Amount	Percent			Amount	Percent
3,087,590	97.07%	\$	-	3,087,590	97.07%
2,999,249	96.88%		40,983	3,040,232	98.20%
2,887,898	96.45%		48,903	2,936,801	98.08%
2,770,640	96.29%		40,689	2,811,329	97.70%
2,568,362	96.53%		45,884	2,614,246	98.26%
2,571,228	97.15%		41,863	2,613,091	98.74%
2,347,645	96.43%		46,510	2,394,155	98.34%
2,191,308	96.11%		59,891	2,259,656	99.11%
2,082,706	95.42%		72,678	2,160,608	98.99%
1,920,141	92.11%		131,928	2,055,399	98.59%

Navarro College District

Ratios of Outstanding Debt Last Ten Fiscal Years (Unaudited)

	2012	2011	2010	2009
General Bonded Debt				
General obligation bonds	\$ -	-	-	-
Other Debt				
Revenue bonds	31,419,031	26,860,000	27,925,000	29,033,705
Notes payable	-	-	-	37,302
Loans payable	1,500,000	1,500,000 (1)	750,000 (1)	-
Capital lease obligations	3,801,116	3,941,116	4,076,116	4,201,116
Total other debt	<u>36,720,147</u>	<u>32,301,116</u>	<u>32,751,116</u>	<u>33,272,123</u>
Total outstanding debt	<u>\$ 36,720,147</u>	<u>32,301,116</u>	<u>32,751,116</u>	<u>33,272,123</u>
Total Outstanding Debt Ratios				
Per capita	\$ 764	677	662	673
Per student	1,997	1,711	1,892	2,313
As a percentage of taxable assessed value	1.37%	1.24%	1.29%	1.37%
As a percentage of personal income	2.31%	2.17%	2.40%	2.56%

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

(1) Fiscal years 2011 and 2010 were restated to properly report total outstanding debt.

August 31,					
2008	2007	2006	2005	2004	2003
-	-	-	-	-	-
25,882,413	26,781,121	23,740,000	20,490,000	20,715,000	20,715,000
97,994	154,547	254,122	448,093	915,863	1,131,727
-	-	-	-	-	-
4,321,116	4,436,116	4,696,384	4,857,779	235,196	381,961
30,301,523	31,371,784	28,690,506	25,795,872	21,866,059	22,228,688
30,301,523	31,371,784	28,690,506	25,795,872	21,866,059	22,228,688
615	631	591	532	454	469
2,391	2,630	2,560	2,413	2,205	2,469
1.37%	1.59%	1.65%	1.59%	1.41%	1.50%
2.40%	2.65%	2.59%	2.43%	2.15%	2.24%

Navarro College District

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Taxable Assessed Value	\$ <u>2,682,081,137</u>	<u>2,615,172,084</u>	<u>2,532,522,103</u>	<u>2,426,416,700</u>
General Obligation Bonds				
Statutory tax levy limit for debt service	\$ 13,410,406	13,075,860	12,661,611	12,132,084
Current year debt service requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of statutory limit for debt service over current requirements	\$ <u>13,410,406</u>	<u>13,075,860</u>	<u>12,661,611</u>	<u>12,132,084</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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>2,218,359,153</u>	<u>1,958,733,600</u>	<u>1,740,732,641</u>	<u>1,624,861,994</u>	<u>1,554,022,861</u>	<u>1,486,019,658</u>
11,091,796	9,799,668	8,703,663	8,124,310	7,770,114	7,430,098
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>11,091,796</u>	<u>9,799,668</u>	<u>8,703,663</u>	<u>8,124,310</u>	<u>7,770,114</u>	<u>7,430,098</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	Other Fees	Pledged Auxiliary Revenue	Less Auxiliary Expenses
2012	\$ 364,230	4,067,828	6,016,339	1,497,785	10,946,950	9,656,662
2011	374,798	3,950,605	5,863,890	1,535,992	10,844,701	9,476,634
2010	349,388	3,667,746	5,125,658	1,396,781	9,738,995	7,875,098
2009	316,725	3,080,219	4,129,212	1,151,811	8,977,605	6,993,133
2008	263,580	2,775,032	3,456,736	939,215	7,707,995	6,569,444
2007	263,768	1,982,253	2,902,250	820,493	7,138,751	5,965,548
2006	237,668	1,638,960	2,501,509	764,721	6,892,938	5,593,455
2005	221,460	1,586,746	2,358,743	788,544	6,562,232	5,003,324
2004	206,535	1,206,054	2,063,395	872,453	5,925,334	4,770,100
2003	182,828	918,247	1,502,253	728,396	5,332,367	4,297,630

Notes:

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

			Debt Service Requirements			
Net Available	Interest Income	Total	Principal	Interest	Total	Coverage Ratio
13,236,470	146,902	13,383,372	1,105,000	1,408,472	2,513,472	5.32
13,093,352	153,555	13,246,907	1,065,000	1,281,713	2,346,713	5.64
12,403,470	119,094	12,522,564	1,055,000	1,326,249	2,381,249	5.26
10,662,439	205,251	10,867,690	870,000	1,178,089	2,048,089	5.31
8,573,114	322,120	8,895,234	845,000	1,205,495	2,050,495	4.34
7,141,967	364,969	7,506,936	670,000	1,107,889	1,777,889	4.22
6,442,341	263,299	6,705,640	300,000	952,620	1,252,620	5.35
6,514,401	132,811	6,647,212	225,000	957,120	1,182,120	5.62
5,503,671	116,391	5,620,062	-	994,341	994,341	5.65
4,366,461	102,770	4,469,231	500,000	28,500	528,500	8.46



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
2011	48,054	\$ 1,592,452,188	28,958	9.2%
2010	47,735	1,486,924,498	28,958	9.7%
2009	49,440	1,367,123,573	28,074	9.0%
2008	49,456	1,298,064,101	26,247	8.0%
2007	49,396	1,266,154,353	25,577	5.0%
2006	49,440	1,177,303,270	24,177	5.7%
2005	48,525	1,126,606,000	23,136	5.4%
2004	48,215	1,060,397,000	21,993	5.7%
2003	47,386	1,016,509,000	21,463	6.2%
2002	46,799	991,316,000	21,180	6.0%

Source: Texas Workforce Commission

Note: The 2012 amounts are not yet available.

Navarro College District

Principal Employers
Last Seven Fiscal Years
(Unaudited)

Employer	2012		2011	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
Navarro College (includes part time)	1,107	5.55%	1,064	5.33%
Corsicana ISD	811	4.07%	811	4.07%
Russell Stover Candies	680	3.41%	680	3.41%
Navarro Regional Hospital	354	1.77%	354	1.77%
Guardian Industries	318	1.59%	318	1.59%
Texas Juvenile Justice Department Corsicana	299	1.50%	299	1.50%
City of Corsicana (includes part time)	284	1.42%	284	1.42%
Navarro County	284	1.42%	284	1.42%
Corsicana Bedding	257	1.29%	257	1.29%
Heritage Oaks/Heritage Oaks West	236	1.18%	236	1.18%
Kohl's Call Center	-	0.00%	216	1.08%
Kohl's Distribution Center	200	1.00%	200	1.00%
Oil City Iron Works	172	0.86%	172	0.86%
Collin Street Bakery (seasonal)	150	0.75%	150	0.75%
Tru-Serve / True Value Distribution Center	149	0.75%	149	0.75%
Lance (formerly Tom's Foods)	-	0.00%	148	0.74%
Home Depot Distribution Center	-	0.00%	145	0.73%
Trinity Mother Francis Medical Center	-	0.00%	-	0.00%
Total	5,301	26.57%	5,767	28.91%

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

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

(Earliest information available is 2006.)

2010		2009		2008		2007		2006	
Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
982	4.95%	950	4.75%	886	4.52%	851	4.31%	827	3.97%
811	4.09%	802	4.01%	802	4.09%	802	4.06%	879	4.22%
680	3.43%	825	4.12%	825	4.20%	825	4.18%	859	4.12%
354	1.78%	350	1.75%	350	1.78%	350	1.77%	377	1.81%
318	1.60%	390	1.95%	390	1.99%	390	1.98%	367	1.76%
299	1.51%	338	1.69%	338	1.72%	338	1.71%	335	1.61%
284	1.43%	336	1.68%	304	1.55%	304	1.54%	335	1.61%
284	1.43%	284	1.42%	284	1.45%	284	1.44%	282	1.35%
257	1.30%	190	0.95%	190	0.97%	190	0.96%	180	0.86%
-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
216	1.09%	250	1.25%	250	1.27%	250	1.27%	-	0.00%
200	1.01%	200	1.00%	200	1.02%	200	1.01%	175	0.84%
172	0.87%	200	1.00%	200	1.02%	200	1.01%	224	1.08%
150	0.76%	766	3.83%	766	3.90%	766	3.88%	700	3.36%
149	0.75%	152	0.76%	152	0.77%	152	0.77%	150	0.72%
148	0.75%	170	0.85%	170	0.87%	170	0.86%	146	0.70%
145	0.73%	250	1.25%	155	0.79%	155	0.79%	-	0.00%
156	0.79%	156	0.78%	156	0.80%	156	0.79%	120	0.58%
<u>5,605</u>	<u>28.26%</u>	<u>6,609</u>	<u>33.02%</u>	<u>6,418</u>	<u>32.71%</u>	<u>6,383</u>	<u>32.34%</u>	<u>5,956</u>	<u>28.58%</u>

Navarro College District

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

Fiscal Year	Appropriation per FTSE		
	State Appropriation	FTSE	State Appropriation per FTSE
2012	\$ 15,639,707	18,392	\$ 850
2011	14,070,243	18,877	745
2010	14,447,465	17,311	835
2009	12,465,236	14,384	867
2008	12,124,659	12,697	955
2007	10,587,066	11,866	892
2006	10,587,066	11,207	945
2005	10,121,395	10,691	947
2004	10,153,252	9,916	1,024
2003	9,900,296	9,004	1,100

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

Appropriation per Contact Hour

Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
3,634,186	1,612,596	5,246,782	\$ 2.98
3,682,160	1,833,744	5,515,904	2.55
3,371,872	1,683,760	5,055,632	2.86
2,759,980	1,476,690	4,236,670	2.94
2,512,272	1,191,867	3,704,139	3.27
2,457,624	895,344	3,352,968	3.16
2,450,256	713,896	3,164,152	3.35
2,350,836	673,660	3,024,496	3.35
2,222,272	616,268	2,838,540	3.58
2,007,904	605,132	2,613,036	3.79

Navarro College District

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

	2012	2011	2010	2009
Faculty				
Full-Time	122	122	123	113
Part-Time	540	355	364	355
Total	662	477	487	468
Full-Time	18.4%	25.6%	25.3%	24.1%
Part-Time	81.6%	74.4%	74.7%	75.9%
Total	100.0%	100.0%	100.0%	100.0%
Average Annual Faculty Salary	\$ 52,681	52,138	50,232	51,678
Staff and Administrators				
Full-Time	231	230	214	208
Part-Time	94	95	100	31
Total	325	325	314	239
Full-Time	71.1%	70.8%	68.2%	87.0%
Part-Time	28.9%	29.2%	31.8%	13.0%
Total	100.0%	100.0%	100.0%	100.0%

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
112	112	105	100	98	90
<u>361</u>	<u>326</u>	<u>312</u>	<u>309</u>	<u>297</u>	<u>320</u>
<u>473</u>	<u>438</u>	<u>417</u>	<u>409</u>	<u>395</u>	<u>410</u>
23.7%	25.6%	25.2%	24.4%	24.8%	22.0%
<u>76.3%</u>	<u>74.4%</u>	<u>74.8%</u>	<u>75.6%</u>	<u>75.2%</u>	<u>78.0%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<u>47,585</u>	<u>49,393</u>	<u>45,427</u>	<u>42,623</u>	<u>42,027</u>	<u>41,526</u>
196	187	176	164	156	148
<u>132</u>	<u>110</u>	<u>42</u>	<u>31</u>	<u>31</u>	<u>38</u>
<u>328</u>	<u>297</u>	<u>218</u>	<u>195</u>	<u>187</u>	<u>186</u>
59.8%	63.0%	80.7%	84.1%	83.4%	79.6%
<u>40.2%</u>	<u>37.0%</u>	<u>19.3%</u>	<u>15.9%</u>	<u>16.6%</u>	<u>20.4%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Navarro College District

Enrollment Details Last Ten Fiscal Years (Unaudited)

	Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<u>Student Classification</u>								
00-30 hours	7,271	69.69%	7,311	71.92%	6,701	72.84%	6,191	74.34%
31-60 hours	2,022	19.38%	1,841	18.11%	1,615	17.55%	1,403	16.85%
> 60 hours	1,140	10.93%	1,014	9.97%	884	9.61%	734	8.81%
Total	10,433	100.00%	10,166	100.00%	9,200	100.00%	8,328	100.00%
<u>Semester Hour Load</u>								
Less than 3	171	1.64%	159	1.56%	94	1.02%	673	8.08%
3-5 semester hours	1,646	15.78%	1,820	17.90%	1,769	19.23%	1,458	17.51%
6-8 semester hours	2,176	20.86%	1,998	19.65%	1,856	20.17%	1,530	18.37%
9-11 semester hours	1,514	14.51%	1,402	13.79%	1,198	13.02%	1,014	12.18%
12-14 semester hours	3,118	29.89%	2,987	29.38%	2,532	27.52%	2,034	24.42%
15-17 semester hours	1,460	13.99%	1,409	13.86%	1,361	14.79%	1,296	15.56%
18 & over	348	3.34%	391	3.85%	390	4.24%	323	3.88%
Total	10,433	100.00%	10,166	100.00%	9,200	100.00%	8,328	100.00%
<u>Tuition Status</u>								
Texas Resident (in-District)	1,996	19.13%	2,028	19.95%	1,816	19.74%	1,777	21.34%
Texas Resident (out-of-District)	8,102	77.66%	7,830	77.02%	7,131	77.51%	6,304	75.70%
Non-Resident Tuition	335	3.21%	308	3.03%	253	2.75%	247	2.97%
Total	10,433	100.00%	10,166	100.00%	9,200	100.00%	8,328	100.00%

Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
Number	Percent										
5,410	71.56%	6,593	89.02%	5,204	80.67%	4,508	74.90%	4,292	76.59%	4,099	80.18%
1,461	19.33%	406	5.48%	764	11.84%	1,011	16.80%	925	16.51%	1,010	19.76%
689	9.11%	407	5.50%	483	7.49%	500	8.31%	387	6.91%	3	0.06%
<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
385	5.09%	512	6.91%	27	0.42%	28	0.47%	65	1.16%	24	0.47%
1,494	19.76%	1,451	19.59%	1,214	18.82%	1,158	19.24%	1,096	19.56%	1,007	19.70%
1,414	18.70%	1,267	17.11%	1,131	17.53%	1,009	16.76%	848	15.13%	759	14.85%
885	11.71%	842	11.37%	737	11.42%	551	9.15%	540	9.64%	456	8.92%
1,948	25.77%	2,001	27.02%	2,076	32.18%	1,901	31.58%	1,855	33.10%	1,632	31.92%
1,148	15.19%	1,070	14.45%	980	15.19%	1,055	17.53%	912	16.27%	883	17.27%
286	3.78%	263	3.55%	286	4.43%	317	5.27%	288	5.14%	351	6.87%
<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
1,645	21.76%	1,729	23.35%	1,348	20.90%	1,273	21.15%	1,272	22.70%	1,213	23.73%
5,669	74.99%	5,392	72.81%	4,791	74.27%	4,424	73.50%	3,932	70.16%	3,418	66.86%
246	3.25%	285	3.85%	312	4.84%	322	5.35%	400	7.14%	481	9.41%
<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>

Navarro College District

Student Profile
Last Ten Fiscal Years
(Unaudited)

	Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender								
Female	6,379	61.14%	6,218	61.16%	5,643	61.34%	5,147	61.80%
Male	4,054	38.86%	3,948	38.84%	3,557	38.66%	3,181	38.20%
Total	<u>10,433</u>	<u>100.00%</u>	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>
Ethnic Origin								
White	6,048	57.97%	6,151	60.51%	5,636	61.26%	5,303	63.68%
Hispanic	1,639	15.71%	1,492	14.68%	1,363	14.82%	1,183	14.21%
African American	2,375	22.76%	2,171	21.36%	1,903	20.68%	1,567	18.82%
Asian	44	0.42%	26	0.26%	87	0.95%	67	0.80%
Foreign	174	1.67%	164	1.61%	153	1.66%	156	1.87%
Native American	53	0.51%	71	0.70%	52	0.57%	52	0.62%
Other	100	0.96%	91	0.90%	6	0.07%	-	0.00%
Total	<u>10,433</u>	<u>100.00%</u>	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>
Age								
Under 18	1,891	18.13%	1,848	18.18%	1,917	20.84%	2,138	25.67%
18 - 21	4,204	40.30%	4,131	40.64%	3,723	40.47%	3,313	39.78%
22 - 24	1,050	10.06%	990	9.74%	969	10.53%	756	9.08%
25 - 35	1,924	18.44%	1,874	18.43%	1,534	16.67%	1,211	14.54%
36 - 50	1,112	10.66%	1,065	10.48%	898	9.76%	780	9.37%
51 & over	252	2.42%	258	2.54%	159	1.73%	130	1.56%
Total	<u>10,433</u>	<u>100.00%</u>	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>
Average Age	24		24		23		23	

Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
Number	Percent										
4,733	62.61%	4,583	61.88%	4,006	62.10%	3,776	62.73%	3,464	61.81%	3,072	60.09%
2,827	37.39%	2,823	38.12%	2,445	37.90%	2,243	37.27%	2,140	38.19%	2,040	39.91%
<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
4,842	64.05%	4,802	64.84%	4,170	64.64%	3,906	64.89%	3,625	64.69%	3,265	63.87%
1,451	19.19%	1,332	17.99%	701	10.87%	612	10.17%	535	9.55%	454	8.88%
995	13.16%	956	12.91%	1,295	20.07%	1,195	19.85%	1,074	19.16%	959	18.76%
56	0.74%	71	0.96%	48	0.74%	42	0.70%	43	0.77%	32	0.63%
160	2.12%	183	2.47%	204	3.16%	239	3.97%	302	5.39%	388	7.59%
53	0.70%	50	0.68%	33	0.51%	25	0.42%	25	0.45%	14	0.27%
3	0.04%	12	0.16%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
1,750	23.15%	1,854	25.03%	1,029	15.95%	1,035	17.20%	842	15.02%	695	13.60%
3,079	40.73%	2,984	40.29%	2,939	45.56%	2,656	44.13%	2,599	46.38%	2,470	48.32%
654	8.65%	651	8.79%	668	10.35%	618	10.27%	558	9.96%	494	9.66%
1,177	15.57%	1,110	14.99%	1,091	16.91%	1,019	16.93%	955	17.04%	821	16.06%
762	10.08%	702	9.48%	617	9.56%	577	9.59%	546	9.74%	539	10.54%
138	1.83%	105	1.42%	107	1.66%	114	1.89%	104	1.86%	93	1.82%
<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
23		23		24		24		24		24	

Navarro College District

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

Name	2010 - 2011 Graduate as of Fall 2011				
	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	9	-	1	10	0.68%
2 Lamar University	12	1	-	13	0.89%
3 Midwestern State University	8	1	1	10	0.68%
4 Prairie View A&M University	5	2	2	9	0.61%
5 Sam Houston State University	79	5	7	91	6.20%
6 Stephen F. Austin State University	75	6	6	87	5.93%
7 Sul Ross State University	1	-	-	1	0.07%
8 Sul Ross State University - Rio Grande College	-	-	-	-	0.00%
9 Tarleton State University	74	7	6	87	5.93%
10 Texas A&M International University	-	-	-	-	0.00%
11 Texas A&M University	117	6	7	130	8.86%
12 Texas A&M University at Commerce	266	12	15	293	19.97%
13 Texas A&M University at Corpus Christi	7	-	-	7	0.48%
14 Texas A&M University at Galveston	6	-	-	6	0.41%
15 Texas A&M University at Kingsville	2	1	-	3	0.20%
16 Texas Southern University	6	-	-	6	0.41%
17 Texas State University	65	2	1	68	4.64%
18 Texas Tech University	68	3	6	77	5.25%
19 Texas Woman's University	32	4	3	39	2.66%
20 The University of Texas - Pan American	1	-	1	2	0.14%
21 The University of Texas at Arlington	166	17	10	193	13.16%
22 The University of Texas at Austin	55	1	7	63	4.29%
23 The University of Texas at Dallas	24	-	-	24	1.64%
24 The University of Texas at El Paso	1	-	-	1	0.07%
25 The University of Texas at San Antonio	15	-	-	15	1.02%
26 The University of Texas at Tyler	41	4	2	47	3.20%
27 The University of Texas of the Permian Basin	2	-	-	2	0.14%
28 University of Houston	22	-	1	23	1.57%
29 University of Houston at Downtown	2	-	-	2	0.14%
30 University of Houston at Victoria	-	-	-	-	0.00%
31 University of North Texas	110	5	8	123	8.38%
32 University of North Texas at Dallas	23	-	1	24	1.64%
33 West Texas A&M University	9	1	1	11	0.75%
Totals	<u>1,303</u>	<u>78</u>	<u>86</u>	<u>1,467</u>	<u>100.00%</u>

Source: Texas Higher Education Coordinating Board

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

2009 - 2010 Graduate as of Fall 2010					2008 - 2009 Graduate as of Fall 2009				
Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
10	3	1	14	0.94%	10	1	1	12	0.87%
8	1	-	9	0.61%	8	1	-	9	0.65%
9	-	2	11	0.74%	12	3	2	17	1.23%
7	3	-	10	0.67%	5	-	2	7	0.51%
85	9	4	98	6.60%	81	2	6	89	6.45%
69	2	8	79	5.32%	67	2	5	74	5.36%
2	-	-	2	0.13%	2	-	2	4	0.29%
-	-	-	-	0.00%	-	-	-	-	0.00%
53	9	5	67	4.51%	63	2	10	75	5.43%
-	-	-	-	0.00%	-	-	-	-	0.00%
119	3	6	128	8.63%	125	4	6	135	9.78%
301	4	9	314	21.16%	257	5	11	273	19.78%
6	2	2	10	0.67%	7	2	1	10	0.72%
4	1	-	5	0.34%	6	-	-	6	0.43%
3	-	-	3	0.20%	-	-	-	-	0.00%
7	-	1	8	0.54%	4	1	-	5	0.36%
49	5	4	58	3.91%	41	2	2	45	3.26%
72	1	6	79	5.32%	68	-	5	73	5.29%
22	2	-	24	1.62%	13	4	1	18	1.30%
1	-	-	1	0.07%	1	-	1	2	0.14%
178	24	9	211	14.22%	189	7	7	203	14.71%
62	2	9	73	4.92%	57	-	3	60	4.35%
13	-	4	17	1.15%	17	1	2	20	1.45%
1	-	-	1	0.07%	-	-	-	-	0.00%
8	2	1	11	0.74%	4	-	-	4	0.29%
35	4	5	44	2.96%	41	1	2	44	3.19%
1	-	-	1	0.07%	1	-	-	1	0.07%
14	-	-	14	0.94%	6	-	1	7	0.51%
1	-	-	1	0.07%	1	-	-	1	0.07%
1	-	-	1	0.07%	1	-	-	1	0.07%
133	2	12	147	9.91%	135	-	9	144	10.43%
31	3	2	36	2.43%	26	4	3	33	2.39%
5	1	1	7	0.47%	6	1	1	8	0.58%
<u>1,310</u>	<u>83</u>	<u>91</u>	<u>1,484</u>	<u>100.00%</u>	<u>1,254</u>	<u>43</u>	<u>83</u>	<u>1,380</u>	<u>100.00%</u>

Navarro College District

Capital Asset Information Last Ten Fiscal Years (Unaudited)

	2012	2011	2010	2009
Academic buildings	14	14	12	12
Square footage (in thousands)	300,786	300,786	260,737	260,737
Libraries	3	3	3	3
Square footage (in thousands)	29,540	29,540	29,540	29,998
Number of Volumes (in thousands)	59,012	61,226	62,337	61,208
Administrative and support buildings	3	3	2	2
Square footage (in thousands)	95,819	95,819	90,897	90,897
Dormitories/Apartments	24	23	23	23
Square footage (in thousands)	169,304	156,254	156,254	156,254
Number of Beds	883	819	819	850
Dining Facilities	1	1	1	1
Square footage (in thousands)	22,100	22,100	22,100	22,100
Average daily customers	1,008	1,037	973	951
Athletic Facilities	5	5	5	5
Square footage (in thousands)	66,416	66,416	66,416	66,416
Gymnasiums/Weight Room	2	2	2	2
Tennis Court	-	-	-	-
Physical Plant Facilities	1	1	1	1
Square footage (in thousands)	9,492	9,492	9,492	9,492
Transportation	45	40	34	33
Cars	14	12	7	7
Light Trucks/Vans	27	24	23	23
Buses	4	4	4	3

Fiscal Year					
2008	2007	2006	2005	2004	2003
12	10	10	10	9	9
260,737	228,522	228,522	209,446	199,990	201,632
3	1	1	1	1	1
29,998	28,000	28,000	34,920	34,920	34,920
53,669	53,055	65,000	64,000	63,000	62,000
2	2	2	1	1	1
90,897	90,897	90,897	55,977	55,977	55,686
22	22	21	20	19	19
150,362	150,362	145,422	139,602	126,674	141,992
818	816	815	783	719	687
1	1	1	1	1	1
22,100	22,100	22,100	19,076	19,076	19,400
904	861	861	827	759	725
5	5	5	5	5	5
66,416	66,416	66,416	66,416	66,416	67,944
2	2	2	2	2	2
0	3	3	3	3	3
1	1	1	1	1	1
9,492	9,492	9,492	9,492	9,492	10,994
35	34	34	34	31	27
7	4	4	5	5	3
25	27	27	26	23	24
3	3	3	3	3	0



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





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

The Board of Trustees
Navarro College District:

We have audited the financial statements of the business-type activities and the discretely presented component unit of Navarro College District (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Navarro College Foundation (the Foundation), as described in our report on the District's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

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

Jaynes, Reisman, Boyd & Threlkoff, P.C.

November 30, 2012



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

The Board of Trustees
Navarro College District:

Compliance

We have audited Navarro College District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Uniform Grant Management Standards* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2012. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2012.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, Reisman, Boyd & Threlkoff, P.C.

November 30, 2012

Navarro College District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2012

(1) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

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

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

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

State Awards

Internal control over major programs:

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

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
84.379	Teacher Education Assistance for College and Higher Education

Identification of major state programs:

<u>Name of State Program</u>
Texas Grant Program
Texas Education Opportunity Grants

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

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

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

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

Navarro College District

Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

None noted.

(3) Federal Award Findings

None noted.

(4) State Award Findings

None noted.

Navarro College District

Summary Schedule of Prior Audit Findings

August 31, 2012

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

Criteria, Finding and Recommendation: Section 5.5 of attachment A of the pass-through grantor contract stated that “the Grantee shall ensure that project participants meet state and federal work requirements”. In an e-mail dated October 20, 2010 from the pass-through grantor to its subrecipients, further clarification was provided that grantees were required to retain documentation verifying a program participant’s social security number, date of birth, citizenship status, and selective service registration. This e-mail further stated that participants benefitting from American Recovery and Reinvestment Act funds must be eligible to receive services and this eligibility must be documented. When eligibility was determined for participants in this grant, grant management did review the individual’s selective service registration via the selective service website (www.sss.gov). However, individuals who were not found to be registered with selective service were not disallowed from participation in training that resulted from the program (10 instances out of a sample of sixty). In addition, for some individuals who were found to be registered with selective service, the documentation demonstrating such registration was not retained (five instances out of a sample of sixty).

This finding was noted in our previous report dated November 28, 2011, and in response to the finding, the District implemented a corrective action plan whereby all District staff associated with the federal award program will receive training to ensure all necessary program requirements are known and understood by the staff. A checklist outlining each federal award program requirement will be maintained and completed, when appropriate, on a participant by participant basis. Finally, internal audits of the federal award program will be conducted at the mid-point and conclusion of the award period to further ensure compliance with program requirements.

Current Status

Contact person responsible for corrective action: Kristin Walker, Director of Continuing Education, and Don Jock, Grant Coordinator

Corrective action taken: Training meetings were held that included multiple levels of personnel, ranging from program director and grant accountant to administrative support staff. The participants attending came from various agencies including Navarro College, the Texas Workforce Commission, North Central Workforce Solutions, and two similar-size community colleges. The training focused on grant administration, management, and compliance. The training outcomes provided answers and best practices, as well as prepared the college grant staff to administer multiple grants. A specific outcome was the development of a checklist, specific to the grant’s general terms and conditions and the statement of work. Prior to the starting date of a specific grant, the checklist is reviewed with the grant accountant to ensure that all aspects of the grant are shared and to ensure that all grant requirements and eligibility criteria are met.

Navarro College District

Summary Schedule of Prior Audit Findings (Continued)

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

Criteria, Finding and Recommendation: Prior to September 1, 2012, Chapter 22, Subchapter M, Section 22.256 described the eligibility requirements for the TEOG program, which stated 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 one instance out of a sample of thirty-seven in which the student's admission file did not contain an official transcript to verify whether the student had received a recommended or distinguished high school diploma, which would make the student eligible for the Texas Grant program, and thus, ineligible for the TEOG program. In addition, we noted one instance out of a sample of thirty-seven in which a student was awarded under the TEOG program although they were eligible for the Texas Grant program. We understand that these instances occurred because of ineffective controls in place to ensure transcripts are received from all students eligible for the Texas Grant program and the TEOG program to be used in eligibility determinations.

This finding was noted in our previous report dated November 28, 2011 and in response to the finding, the District implemented a corrective action plan which included new program rules to be run in Datatel, as well as additional training for all personnel dealing with transcripts to ensure that transcripts are processed correctly and in a timely manner.

Current Status

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

Corrective action taken: The program rule developed and attached to the financial TEOG grant award has been tested throughout the past year and, in all instances where the IASU screen had been populated with an "R", the program rule caused the TEOG award to "fail," resulting in the student receiving the Texas Grant award. In instances where the graduation field was changed, the rule initiated the return of any TEOG award from the student's account after each FATR (Financial Aid Transfer to student accounts) update run.

It should be noted that, during a financial aid training workshop provided by the Texas Higher Education Coordinating Board, information was disseminated stating that the State of Texas has changed the eligibility requirements for TEOG beginning fiscal year 2012. Students who are eligible for TEXAS grant aid can be awarded TEOG grant aid. The only limitation the new ruling provides is the awarding of only one of the two State Grants, TEOG or TEXAS grant aid, to eligible students.

Until the change in law became effective, the District continued to implement the process identified above to ensure compliance with the comprehensive standard.