

Navarro College District
Corsicana, Texas
Comprehensive Annual Financial Report
Years Ended August 31, 2007 and 2006



Prepared by:
Navarro College District
Finance Department



Navarro College District

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Introductory Section





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December 6, 2007

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

The following comprehensive annual financial report of Navarro College (the District) for fiscal years ended August 31, 2007 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 Navarro College District’s financial statements for the years ended August 31, 2007 and 2006. The independent auditors’ report is located at the front of the financial section of this report.

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

PROFILE OF THE DISTRICT

Navarro College was established as a public community college in an election held in Navarro County, Texas on July 16, 1946. The District operates as a community college under the Constitution of the State of Texas and the Texas Education Code. The District is governed by an elected seven-member Board of Trustees (hereinafter call the “Board”). At each election (the second Saturday in May in odd numbered years) two Trustees are elected, one at large and one

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

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

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

for a single place, to serve six-year terms. Every third election, three Trustees are elected with one at large. The Board holds regularly scheduled meetings on the third Thursday of each month unless otherwise announced. Board meetings are held in the Arrowhead Room located in the Gooch One Stop Student Center on the Corsicana campus unless otherwise provided in the notice of meeting posted in compliance with the public notice requirements.

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

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

LOCAL 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 Highway 31. Student enrollment and student contact hour growth continue to be a main focus of the College. Fall 2006 semester credit enrollment at the District grew by 955 students to 7,406 students on census date, an increase of 14.8% over the Fall 2005 semester.

Navarro County's (the taxing district) economy is based on manufacturing, agriculture, and mineral production. Agricultural income is derived from beef cattle, dairy cattle, horses, cotton and grain. Minerals produced in the county include oil, gas, sand, and gravel. Growth in the county has been stable showing moderate growth as evidenced by a \$260 million (13%) increase in the assessed value of the taxing district during the current fiscal year. Development of the Richland Chambers area of Navarro County continues to contribute to the growth of the taxing district with ninety-eight building permits valued at \$39,605,374 being issued since January 1, 2005.

Northrop Grumman Corporation has located a National Work Force Center in Corsicana that is intended to compete against other major companies by implementing a new work environment strategy that is calculated to cut costs and gain a competitive advantage. Northrop Grumman Corporation is a global defense and technology company with \$30 billion in revenues. The company ranks 73rd on the Fortune 500 and employs more than 122,000 of the best minds in technology. Navarro College has implemented a Fast Track Software Development Certificate Program which gives students an opportunity to take online courses through Navarro College and earn their software development certificate. This program is designed to build the skills needed to work for companies like Northrup Grumman as a software developer.

The District will offer an Oil and Gas Production Technology Certificate program beginning Spring 2008. Associate sponsors of the new program and leaders in the industry, EnCana and XTO, are supplying some equipment for the program and will interview students who successfully complete it. The companies are also providing \$50,000 in scholarships.

The top employers in Navarro County are:

Employer*	Number of Employees
Navarro College	851
Russell Stover Candies	825
Corsicana ISD	802
Collin Street Bakery	766
Guardian Industries	390
Texas Youth Commission	338
City of Corsicana	304
Navarro County	284
Navarro Regional Hospital	250
Kohl's Distribution Center	200
Oil City Iron Works	200
Corsicana Bedding	190
Lance (formerly Tom's Foods)	170
Trinity Mother Frances Medical Center	156
Home Depot	155
Tru-Serve Distribution Center	152

**Includes full-time and part-time employees.*

Corsicana continues to experience a revitalization of the downtown area, especially in the area of specialty shops and the arts. Additions and renovations to this area include a Visitors' Center, Palace Theater renovation, Martin's Music Hall, renovated Opry House and other specialty shops. Corsicana's historic downtown district is also well known to antique lovers as a center for several antique shops and stores. There is also a residential move to the downtown area with loft apartments located over retail operations. Other areas of the town are expanding as well with the addition of Holiday Inn Express, Hampton Inn, and La Quinta motels and new strip shopping centers in various areas of town. Walgreens has indicated they are building a new store in Corsicana. Office Depot is nearing completion of a new store and the Collin Street Bakery has opened its second retail store in Corsicana.

The Office of the State Demographer for the State of Texas projects a population growth of six percent in Navarro County by 2010 and a population growth of eleven percent in Ellis County for the same time period.

Ellis County, a major part of our service area, continues to grow dramatically. The 2007 estimated population for Ellis County is 134,895.

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

Major employers for the Ellis County region are:

Walgreen Company
TXI Chaparral Steel
Owens-Corning, Inc.
Leggett & Platt, Inc.
Dart Container Corporation
Ennis Automotive, Inc.
Sterilite Corporation
Better Bath Company
Saint-Gobain Containers

Georgia Pacific
Lofland Company
MagnaBlend
Lifelike Products, Inc.
The Martin Company
James Hardie
International Extrusion Corporation
United States Aluminum Corporation-TX
National Freight, Inc.

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

ACHIEVEMENTS

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

Thirty-three faculty members are National Institute for Staff and Organization Development (NISOD) award recipients since 1991.

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

The Accounting Staff of the District was again honored by the Government Finance Officers Association (GFOA) with its highest praise: the Certificate of Achievement for Excellence in Financial Reporting for six consecutive years, 2001, 2002, 2003, 2004, 2005 and 2006. The GFOA of the United States and Canada award is given to government units and public employee retirement systems whose comprehensive annual financial reports achieve the highest standards in government accounting and financial reporting.

The Texas A&M University-Commerce-Navarro College Partnership continues to receive recognition as an outstanding program with emphasis on teacher education. This program has grown from 63 students in the Fall 1999 to 584 students in Fall 2007 on both the Corsicana and Midlothian Campuses. The partnership has produced 761 graduates with 624 in education, 62 BAAS, 24 in Criminal Justice and 51 Master's degrees conferred.

The District offers a large and competitive intercollegiate athletic program including baseball, basketball and football for men and soccer, softball and volleyball for women. Recent successes include regional championships for soccer and baseball and a national championship for the coed cheerleading squad. The football program has won 13 conference championships and won the National Championship in 1989. Since 1987, the District's football team has been in seven bowl games and three conference championship games. Academics are stressed by the District's administration and coaching staff. Success is evidenced by having 56 athletes graduate in 2006 and six athletes being named NJCAA Academic All Americans, 22 Region XIV Conference All Academics team, and soccer and volleyball teams were named NJCAA All Academic Teams-of-the-Year.

MAJOR INITIATIVES

Academic Program Enhancements:

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

- Completing the SACS Comprehensive Standards and Quality Enhancement Plan Reaffirmation of Accreditation Project.
- Expanding the cosmetology program for the Corsicana campus.
- Refining hybrid course delivery combining internet and traditional instructional delivery methods.
- Increasing internet course delivery. Internet instruction accounts for 13% of the contact hours produced.
- Continuing refinement of the Faculty Centered Student Advising Program for full-time, first time students which complements a diverse and valuable network of counseling services available to students. In addition to academic advising and transfer assistance, there is specific counseling on hand for veterans and international students.
- Providing good customer service and a positive environment for students is important to the District and enhances the academic programs. Efforts in this regard include:
 - Upgrading technology to increase the band width on campus to 50mg for the support of technology and the upgrade of the administrative computing system to Release 18.

- Providing email service to all District students and staff.
- Providing Blackboard based delivery system for on-line instruction. Funds are budgeted to upgrade to Version 7.
- Upgrading the on-line library services with the latest release of Dynix software.
- Upgrading safety measures including placing three defibrillators on the Corsicana campus, adding wireless internet-based security cameras in the dining hall, library, residence life areas and the Midlothian campus.
- Adding dash mounted cameras in patrol cars and establishing a bicycle patrol for the Corsicana campus.

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

Construction and Expansion Projects:

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

In the Fall of 2007, the District occupied the 20,000 square foot Classroom Building on the Waxahachie Campus. This building provides state of the art technology for delivery of instruction at this site. At the same time, the College also occupied the new 12,000 square foot Continuing Education/Fire Academy Building on the Waxahachie Campus. This is the first time the fire academy has had a permanent home. Plans are underway to renovate portions of the original classroom building on the Waxahachie Campus.

Also in the Fall of 2007, the District opened an additional residence hall on its Corsicana Campus, increasing the total capacity to 806 residence students. At the same time, the District has designated three of its cottage-type buildings as honors housing and has added special amenities to these buildings to recognize the selected students who reside in these facilities.

Ongoing discussions are occurring concerning the expansion of the Gibson Hall Game Room and the addition of a new Laundromat for housing students.

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 \$21.2 million in awards was processed in fiscal year ended 2007. The District aims to provide high quality educational experiences for all students and to establish a nurturing learning environment to promote responsible citizenship. District maintains a warm and supportive climate that builds a sense of community among learners, the community, and staff and builds strong relationships between the District and communities served. The District pledges to remain accountable as an institution of higher learning and as a custodian of the public trust.

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

- Grants for KOYO and the Ellis County Manufacturing Consortium for workforce training and development.
- Tech Prep programs in area high schools to offer dual credit courses, articulated programs, and classes to prepare students for the workforce in technical fields.
- The Cook Education Center, located adjacent to the main campus in Corsicana, is equipped with a sixty-foot domed planetarium and an observatory containing a fourteen-inch Celestron computer operated telescope. This allows visitors to experience first hand the forces, scientific, technical, and artistic, that drive the human imagination and serve as an educational magnet for both the College and surrounding 31 independent school districts serving over 40,000 students.
- Also located in the Cook Center are the Pearce Civil War documents collection and the Pearce Western Art Collection. This facility attracts Elderhostel programs to the District to work with the Pearce Civil War Collection Curation and Preservation Services Projects. These Elderhostel programs have offered over 300 people an opportunity to experience the Civil War in a personal way.
- The Pearce Civil War Collection is a balanced collection documenting the northern and southern experience of the Civil War as well as its leaders, common soldiers, and residents. A collection of over 15,000 items facilitates research of all aspects of the United States Civil War.
- The Pearce Western Art Collection is home to original representational works of art by acknowledged masters of Western Art as well as recent original works by members of the National Academy of Western Art, the Cowboy Artists of America, and the National Sculpture Society, among others.
- The “Opening Doors to Success” program continues to assist in identifying students with potential to succeed, but not enrolling in college for a variety of reasons. This program provides individualized counseling attention and financial assistance to qualifying students.

- The District cooperative agreement with John Deere continues to attract students from across Texas and neighboring states pursuing a degree in agriculture mechanization technology.
- Fire and police academies help to provide trained applicants for these high demand service professions. Continuing education classes are also offered in these areas to assist in meeting certification update requirements.
- A very active health occupations curriculum helps to train students to meet staffing needs in areas such as nursing, medical lab technology and occupational therapy. Nurse aid training programs in the high schools also help to provide trained staff as well as the continuing education programs for training and recertification programs.

FINANCIAL INFORMATION

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

As a recipient of federal, state, and local financial awards, the District is also responsible for providing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic review and evaluation by management, internal audit, and the independent auditors of the District. As a part of the District's single audit, tests are conducted to determine the adequacy of the internal control structure, including that portion related to federal and state financial award programs, as well as to determine that the District has complied with applicable laws and regulations. Recently-issued auditing standards have clarified that the components of internal controls allow no exemption or special relief for challenges faced by smaller institutions.

Auditors have historically drafted the financial statements and related disclosures at the District's request. This was done due to limited resources and competencies required to prepare annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. Due to the recently-issued auditing standards, the assistance by auditors is considered to be a control deficiency and a finding of material weakness. Management, however, does not feel that the degree of risk related to this control deficiency rises to the level of significance needed to allocate the financial resources that would be required to completely resolve the deficiency. Accounting personnel will receive continued training to provide for preparation of additional statements and footnote disclosures. However, based on limited staff, it will be necessary to continue obtaining assistance from the audit firm for the foreseeable future.

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 District Board of Trustees. Activities of all funds are included in the annual appropriated budget. The District also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Encumbered amounts lapse at fiscal year end; however, encumbrances are generally reappropriated as part of the subsequent year budget.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. Refer to the Management's Discussion and Analysis comments located in the Financial Section of the report for a description of each statement and a condensed version of each statement. As demonstrated by the statements and schedules included in the financial section of this report, the District continues meeting its responsibility for sound financial management.

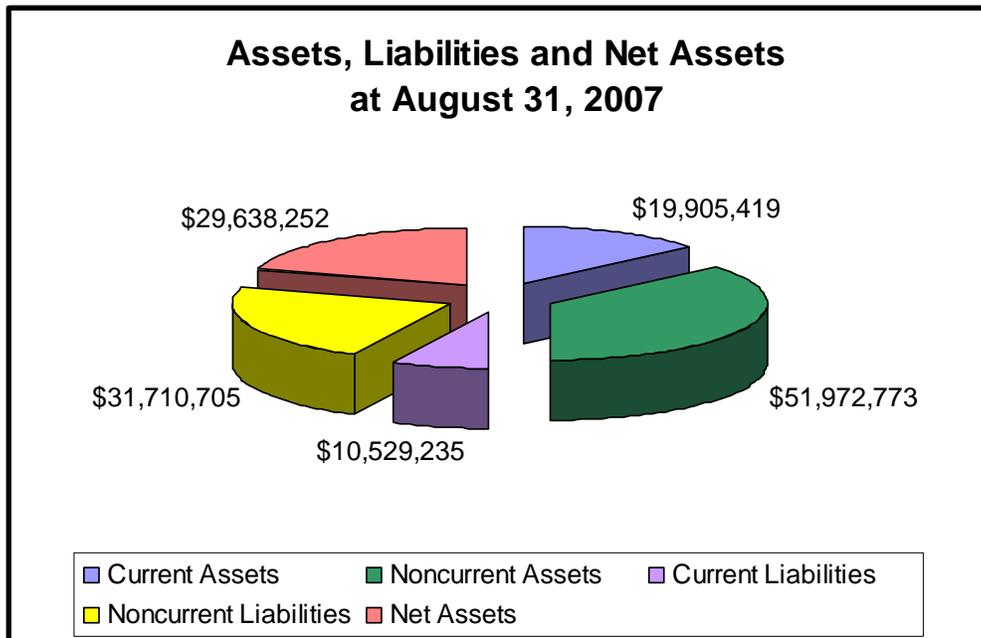
The District issued the Consolidated Fund Revenue and Refunding Bonds, Series 2003 for \$20,715,000. Proceeds from the sale of the bonds, together with certain District funds were used to refund the District's outstanding bonds in order to lower and restructure the District's annual debt service and reconstitute Pledged Revenues and pay costs associated with the issuance, including a surety bond. The balance of the proceeds has funded construction, renovation and equipping of buildings and facilities of the District. The District issued the Consolidated Fund Revenue Bonds, Series 2006, in February 2006 in the amount of \$3,550,000 for the acquisition of land adjacent to the Waxahachie campus and to contract an addition of Gibson Hall on the Corsicana Campus. In May 2007, the District issued an additional \$3,550,000 in debt with Series 2007 Revenue Bonds. Proceeds from these bonds were utilized to partially fund the construction of two buildings on the Waxahachie Campus and the construction of a 32 bed residence hall on the Corsicana Campus.

Statement of Net Assets

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

Total cash and investments for August 31, 2007 were \$15,566,416, compared to \$15,384,167 at August 31, 2006.

Total liabilities increased from \$37,617,251 at August 31, 2006 to \$42,239,940 at August 31, 2007. The major factor contributing to the increase in liabilities was the issuance of the Series 2007 Revenue Bonds in the amount of \$3,550,000 and an increase in accounts payable related to ongoing construction on the Waxahachie Campus.



Net assets is divided into three sections: Invested in capital assets, net of debt; restricted net assets and unrestricted net assets. Total net assets increased from \$29,197,044 at August 31, 2006 to \$29,638,252 at August 31, 2007.

Statement of Revenues, Expenses and Changes in Net Assets

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

Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 35 require that tuition and fees and auxiliary enterprise charges be reported net of any allowances and discounts. The tuition and fees, net of allowances, are \$6,881,618 representing a 25% increase over the prior year. Auxiliary enterprise charges, net of discounts, are \$4,499,802 at August 31, 2007, which reflects a 10% increase from the prior year due to the increased number of students served.

State allocations decreased to \$13,776,780 due to the expiration of the special appropriation for the Midlothian Campus.

Statement of Cash Flows

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

The District had \$11,552,416 in cash and equivalents at the end of fiscal 2007 compared to \$10,022,167 at the end of fiscal 2006. The increase in cash is due to 2007 bond proceeds on hand at the end of the fiscal year.

Debt Administration

As of August 31, 2007, the District had \$26,620,000 of debt issue outstanding, which is the Consolidated Fund Revenue and Refunding Bonds, Series 2003, Series 2006 and Series 2007 bonds. The 2003 bond proceeds were used to refund Construction Bonds of 1999, 2000 and 2001 and fund various construction projects on the Corsicana campus. The Series 2006 bonds issued in February 2006 were issued to fund the purchase of the Chevron Phillips manufacturing facility and thirty-three acres of land adjacent to the Waxahachie Campus. The 2007 bonds partially funded the construction of the buildings on the Waxahachie Campus and a new residence hall on the Corsicana Campus.

Cash Management

During the year, cash temporarily idle was invested in short-term investments. The average yield on all investments was 4.97 percent. The District earned interest revenue of \$620,102 on all investments for the year ended August 31, 2007, and \$481,994 for the year ended August 31, 2006. The investment policy, which is reviewed and updated annually, is designed to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, bank deposits were either insured by federal depository insurance, surety bonds, or collateralized throughout the year. The Federal Home Loan Bank of Dallas and the Federal Reserve Bank, acting as agents for the District, hold the securities pledged to the District

Risk Management

Risk management is the ongoing process by which financial loss and exposure to risk is assessed and action is taken to minimize risk, transfer risk and finance risk through various devices, including insurance. All areas of the district are reviewed for possible risk management and loss control activities. The Vice President for Finance and Administration is responsible for recommending to the President and the Board the amounts of insurance the District should carry and the amount of risk the District should assume through coinsurance and deductibles.

Programs covered include Property, Liability, Employee Educators Liability, Employee Dishonesty Coverage, Interscholastic Accident Insurance, Student Medical Professional Liability, Unemployment Compensation and Workers' Compensation.

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

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

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

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

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 the District for its comprehensive annual financial report for the fiscal year ended August 31, 2006. This was the sixth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

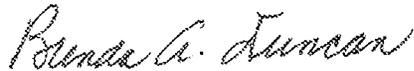
The preparation of this report could not have been accomplished without the efficient and dedicated services of the Business Services staff, particularly the Accounting Department. Appreciation is expressed to the accounting firm of Jaynes, Reitmeier, Boyd & Therrell, P.C. for

assistance in timely completion of the audit. Due credit should also be given to the Board of Trustees and the President for their interest in planning and conducting the operations of the District in a professional manner.

Respectfully submitted,



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

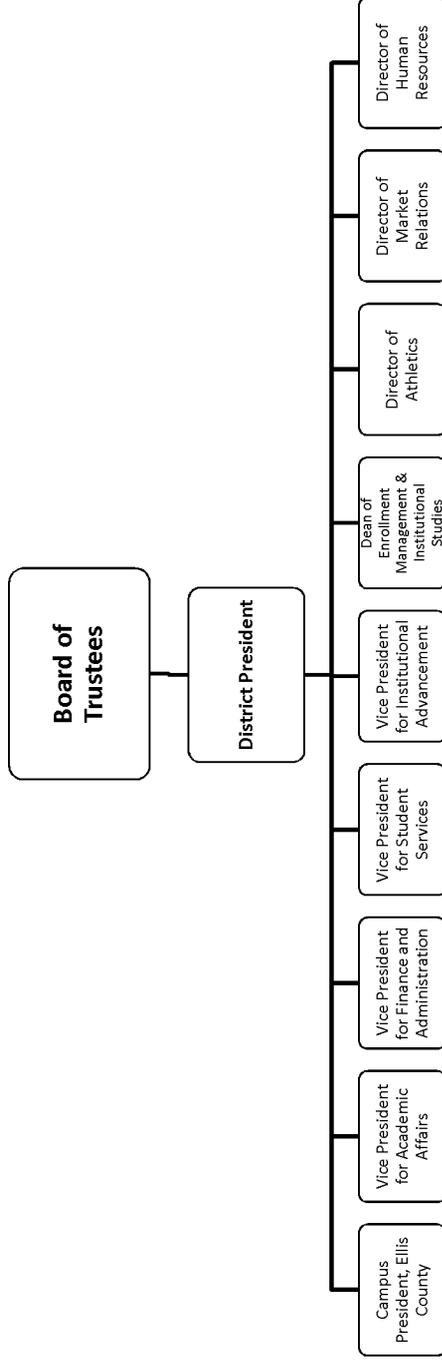


Brenda A. Duncan, CPS
Business Manager

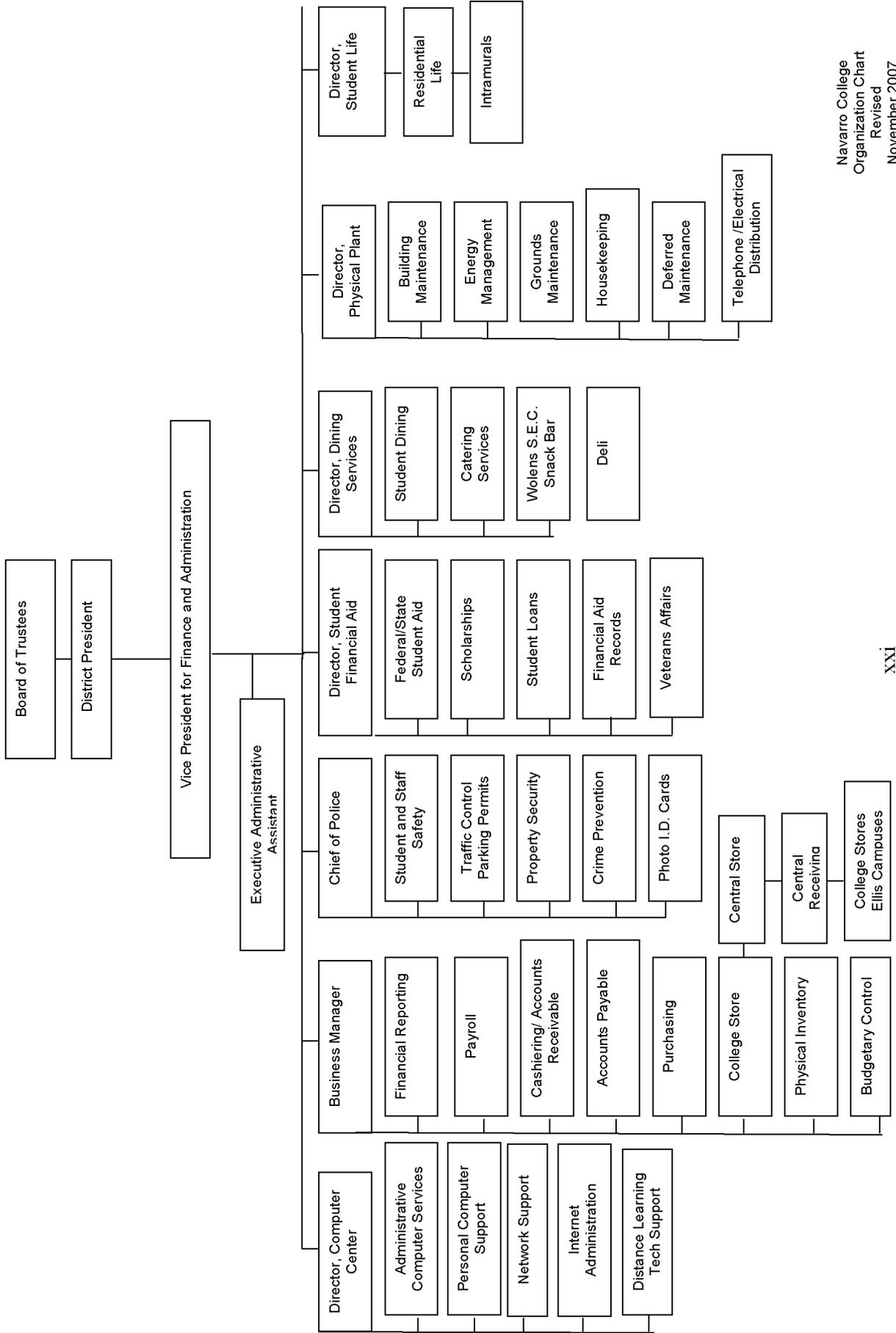


Rhina H. Sandoval
Controller

NAVARRO COLLEGE
Organizational Chart
District President



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



Navarro College District

Principal Officials For the Year Ending August 31, 2007

Board of Trustees

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

<u>Members</u>		<u>Term Expires</u>
James E. Borkchum	Corsicana, Texas	2013
Lloyd D. Huffman	Corsicana, Texas	2011
Todd McGraw	Blooming Grove, Texas	2013
James G. Price, D.D.S.	Corsicana, Texas	2013
Zane Stites	Corsicana, Texas	2009
Liston Herod, Jr.	Corsicana, Texas	2011
Homer G. Wasson	Kerens, Texas	2009

Executive Officers

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

Business Officers

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

Navarro College

Board of Trustees and President



Lloyd Huffman
Vice-Chairman



Homer G. Wasson
Chairman



Dr. James G. Price
Secretary-Treasurer



James E. Borkchum
Trustee



Dr. Richard Sanchez
District President
Navarro College



Liston Herod
Trustee



Todd McGraw
Trustee



Zane Stites
Trustee

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Navarro College
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2006

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Oliver S. Cox

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, 2007 and 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Navarro College Foundation, Inc. (the Foundation), a discretely presented component unit of the District. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for the Foundation, was based on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Navarro College District as of August 31, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on pages 39 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards on pages 45 through 51 are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *Uniform Grant Management Standards*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical section on pages 53 through 91 have not been subjected to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we express no opinion on them.

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

December 6, 2007

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Navarro College District (the District) is proud to present its financial statements for fiscal year ended August 31, 2007. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

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

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Navarro College District. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets. The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements. The District has elected to follow the recommendation of the Texas Higher Education Coordinating Board to present the Statement of Net Assets in the balance sheet format. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors and lending institutions.

Navarro College District					
Statement of Net Assets					
August 31, 2007					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Amount of Change 2006 to 2007</u>	<u>% of Change 2006 to 2007</u>
Assets					
Current assets	\$ 19,905,419	18,747,362	15,174,780	1,158,057	6.18%
Capital assets	51,562,340	46,978,796	45,080,236	4,583,544	9.76%
Other assets	<u>410,433</u>	<u>1,088,137</u>	<u>3,304,930</u>	<u>(677,704)</u>	<u>(62.28%)</u>
Total assets	\$ <u>71,878,192</u>	<u>66,814,295</u>	<u>63,559,946</u>	<u>5,063,897</u>	<u>7.58%</u>
Liabilities					
Current liabilities	\$ 10,529,235	8,377,352	8,617,656	2,151,883	25.69%
Noncurrent liabilities	<u>31,710,705</u>	<u>29,239,899</u>	<u>26,449,699</u>	<u>2,470,806</u>	<u>8.45%</u>
Total liabilities	<u>42,239,940</u>	<u>37,617,251</u>	<u>35,067,355</u>	<u>4,622,689</u>	<u>12.29%</u>
Net Assets					
Invested in capital assets, net of debt	20,425,989	21,532,452	19,118,912	(1,106,463)	(5.14%)
Restricted – expendable	3,344,836	3,270,450	3,282,817	74,386	2.27%
Unrestricted	<u>5,867,427</u>	<u>4,394,142</u>	<u>6,090,862</u>	<u>1,473,285</u>	<u>33.53%</u>
Total net assets	<u>29,638,252</u>	<u>29,197,044</u>	<u>28,492,591</u>	<u>441,208</u>	<u>1.51%</u>
Total net assets and Liabilities	\$ <u>71,878,192</u>	<u>66,814,295</u>	<u>63,559,946</u>	<u>5,063,897</u>	<u>7.58%</u>

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

Financial Analysis from 2006 to 2007

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

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

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

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

Financial Analysis from 2005 to 2006

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

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

Total liabilities increased to \$37,617,251 from \$35,067,355 for an increase of \$2,549,896. This increase was due to the issuance of \$3,500,000 in new debt (2006 Revenue Bonds) in February 2006.

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

Statement of Revenues, Expenses and Changes in Net Assets

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

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

Navarro College District					
Statement of Revenues, Expenses, and Changes in Net Assets					
August 31, 2007					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Amount of Change 2006 to 2007</u>	<u>% of Change 2006 to 2007</u>
Operating revenues					
Tuition and fees	\$ 6,881,618	5,522,555	5,462,894	1,359,063	24.61%
Grants and contracts	10,498,075	10,632,053	10,405,341	(133,978)	(1.26%)
Sales and services	4,823,673	4,391,090	3,712,116	432,583	9.85%
Other operating revenues	177,827	226,393	159,978	(48,566)	(21.45%)
Total operating revenues	<u>22,381,193</u>	<u>20,772,091</u>	<u>19,740,329</u>	<u>1,609,102</u>	<u>7.75%</u>
Nonoperating revenues					
State allocations	13,776,780	13,991,286	10,487,726	(214,506)	(1.53%)
Maintenance ad valorem taxes	2,699,632	2,483,723	2,302,370	215,909	8.69%
Gifts	607,580	608,458	560,903	(878)	(0.14%)
Investment income	620,102	481,994	382,527	138,108	28.65%
Other nonoperating revenues	8,350	56,748	87,152	(48,398)	(85.29%)
Gain (loss) on disposal of assets	-	484,375	-	(484,375)	(100.00%)
Total nonoperating revenues	<u>17,712,444</u>	<u>18,106,584</u>	<u>13,820,678</u>	<u>(394,140)</u>	<u>(2.18%)</u>
Total revenues	<u>40,093,637</u>	<u>38,878,675</u>	<u>33,561,007</u>	<u>1,214,962</u>	<u>3.13%</u>
Operating expenses					
Instruction	13,753,775	13,296,066	12,500,569	457,709	3.44%
Public service	125,816	135,365	123,866	(9,549)	(7.05%)
Academic support	2,768,153	3,101,135	2,255,733	(332,982)	(10.74%)
Student services	2,369,268	2,294,807	1,636,654	74,461	3.24%
Institutional support	4,237,693	3,990,424	3,161,359	247,269	6.20%
Operation and maintenance of plant	3,196,937	3,250,343	2,453,004	(53,406)	(1.64%)
Scholarships and fellowships	2,676,838	2,309,532 (a)	2,325,806 (a)	367,306	15.90%
Auxilliary enterprises	7,912,581	7,324,740 (a)	6,851,913 (a)	587,841	8.03%
Depreciation expense	1,395,899	1,283,753	1,091,485	112,146	8.74%
Total operating expenses	<u>38,436,960</u>	<u>36,986,165</u>	<u>32,400,389</u>	<u>1,450,795</u>	<u>3.92%</u>
Nonoperating expenses					
Interest on capital related debt	<u>1,215,469</u>	<u>1,188,057</u>	<u>1,035,709</u>	<u>27,412</u>	<u>2.31%</u>
Total expenses	<u>39,652,429</u>	<u>38,174,222</u>	<u>33,436,098</u>	<u>1,478,207</u>	<u>3.87%</u>
Change in net assets	441,208	704,453	124,909	(263,245)	(37.37%)
Beginning net assets	<u>29,197,044</u>	<u>28,492,591</u>	<u>28,367,682</u>	<u>704,453</u>	<u>2.48%</u>
Ending net assets	\$ <u>29,638,252</u>	<u>29,197,044</u>	<u>28,492,591</u>	<u>441,208</u>	<u>1.51%</u>

(a) Reclassification

Financial Analysis from 2006 to 2007

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase of \$441,208 in net assets for 2007. Operating revenues increased a moderate 7.75% due to enrollment growth, increased tuition costs, and strong auxiliary enterprise sales.

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

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

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

Financial Analysis from 2005 to 2006

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase of \$704,453 in net assets for 2006. Operating revenues increased a moderate 5.23% due to enrollment growth and increased tuition and sales and services with most of the increase attributable to auxiliary enterprises sales.

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

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

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

Statement of Cash Flows

The final statement presented by the District is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the

year. The first part of the Statement of Cash Flows deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

Navarro College District					
Statement of Cash Flow					
August 31, 2007					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Amount of Change 2006 to 2007</u>	<u>% of Change 2006 to 2007</u>
Cash provided by (used in):					
Operating activities	\$ (10,862,135)	(12,120,174)	(11,353,267)	1,258,039	
Noncapital financing activities	15,081,830	15,197,695	12,925,495	(115,865)	
Investing activities	1,979,886	(3,805,612)	429,075	5,785,498	
Capital and related financing activities	<u>(4,669,332)</u>	<u>(979,703)</u>	<u>(9,489,727)</u>	<u>(3,689,629)</u>	
Net change in cash	1,530,249	(1,707,794)	(7,488,424)	3,238,043	
Cash, beginning of year	<u>10,022,167</u>	<u>11,729,961</u>	<u>19,218,385</u>	<u>(1,707,794)</u>	
Cash, end of year	\$ <u>11,552,416</u>	<u>10,022,167</u>	<u>11,729,961</u>	<u>1,530,249</u>	<u>15.27%</u>

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

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

Capital Asset and Debt Administration

The District issued Consolidated Fund Revenue and Refunding Bonds, Series 2007 in May 2007. The proceeds of \$3,550,000 along with the proceeds from the sale of the Chevron plant in Waxahachie were utilized to construct two new buildings on the Waxahachie Campus as well as a new residence hall on the Corsicana Campus. These new facilities were occupied during the Fall semester 2007.

In February 2006, the District issued Consolidated Fund Revenue Bonds, Series 2006 in the amount of \$3,550,000. A portion (\$2,800,000) of the bond proceeds were used for purchasing a Chevron Phillips manufacturing facility and thirty-three (33) acres of land which is adjacent to

the District's Waxahachie Campus. The District subsequently sold the facility and approximately twelve acres for a gain of \$484,375. The proceeds from the land sale will be used to construct a 20,000 square foot classroom building on the Waxachie Campus. The remaining portion of the bond proceeds (\$700,000) will be utilized for an addition to the Gibson Hall Student Center on the Corsicana Campus.

For additional information concerning Capital Assets and Debt Administration, see Notes 6, 7 and 8 in the notes to the financial statements.

Economic Outlook

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

During the last year, the District continued increasing its physical plant by adding \$4.6 million in capital assets net of depreciation. These additions are positioning the District for the future.

Request for Information

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



Darrell R. Raines, C.P.A.
Vice President for Finance and Administration

Basic Financial Statements



Navarro College District

Statements of Net Assets
(Exhibit 1)

August 31, 2007 and 2006

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2007	2006	2007	2006
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 11,552,416	9,314,478	236,029	114,854
Investments	4,014,000	5,362,000	-	-
Accounts receivable, net	2,429,610	2,716,122	1,095,833	972,452
Prepaid expenses	419,653	334,277	-	-
Inventories	1,489,740	1,020,485	-	-
Total current assets	<u>19,905,419</u>	<u>18,747,362</u>	<u>1,331,862</u>	<u>1,087,306</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	707,689	-	-
Long-term investments	-	-	1,405,929	1,265,512
Capital assets, net	51,562,340	46,978,796	8,050,245	7,605,003
Other assets	410,433	380,448	-	5,010
Total noncurrent assets	<u>51,972,773</u>	<u>48,066,933</u>	<u>9,456,174</u>	<u>8,875,525</u>
 Total assets	 <u>71,878,192</u>	 <u>66,814,295</u>	 <u>10,788,036</u>	 <u>9,962,831</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	2,694,433	1,488,360	-	-
Accrued liabilities	352,660	347,237	-	-
Funds held for others	450,039	433,155	-	-
Deferred revenue	5,885,816	5,007,502	53,500	-
Accrued compensated absences - current portion	107,654	143,901	-	-
Accrued claims and judgements - current portion	28,386	25,128	-	-
Notes payable - current portion	55,247	100,685	-	-
Capital lease - current portion	115,000	161,384	-	-
Bonds payable - current portion	840,000	670,000	-	-
Total current liabilities	<u>10,529,235</u>	<u>8,377,352</u>	<u>53,500</u>	<u>-</u>
Noncurrent liabilities:				
Accrued compensated absences	1,264,011	1,151,457	-	-
Accrued claims and judgements	85,157	115,176	-	-
Notes payable	99,300	153,437	-	-
Capital lease	4,321,116	4,535,000	-	-
Bonds payable	25,941,121	23,284,829	-	-
Total noncurrent liabilities	<u>31,710,705</u>	<u>29,239,899</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>42,239,940</u>	 <u>37,617,251</u>	 <u>53,500</u>	 <u>-</u>
<u>Net Assets</u>				
Net assets:				
Invested in capital assets, net of related debt	20,425,989	21,532,452	8,050,245	7,605,013
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	663,686	654,993
Expendable:				
Scholarships and fellowships	3,146,041	3,107,220	-	-
Debt service	198,795	163,230	-	-
Unrestricted	5,867,427	4,394,142	2,020,605	1,702,825
Total net assets	<u>\$ 29,638,252</u>	<u>29,197,044</u>	<u>10,734,536</u>	<u>9,962,831</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, 2007 and 2006

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2007	2006	2007	2006
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$4,249,201 and \$4,566,707 respectively)	\$ 6,881,618	5,522,555	-	-
Gifts	-	-	960,461	712,487
Federal grants and contracts	9,431,603	9,887,235	-	-
State grants and contracts	938,010	638,876	-	-
Local grants and contracts	128,462	105,942	-	-
Sales and services of educational activities	323,871	302,157	-	-
Auxiliary enterprises (net of scholarship allowances and discounts of \$2,708,485 and \$2,853,299 respectively)	4,499,802	4,088,933	-	-
Other operating revenues	177,827	226,393	29,100	58,200
Total operating revenues	22,381,193	20,772,091	989,561	770,687
Operating expenses:				
Instruction	13,753,775	13,296,066	-	-
Public service	125,816	135,365	-	-
Academic support	2,768,153	3,101,135	-	-
Student services	2,369,268	2,294,807	-	-
Institutional support	4,237,693	3,990,424	175,337	150,242
Operation and maintenance of plant	3,196,937	3,250,343	-	-
Scholarships and fellowships	2,676,838	2,309,532	228,799	235,328
Auxiliary enterprises	7,912,581	7,324,740	-	-
Depreciation	1,395,899	1,283,753	1,188	19,667
Total operating expenses	38,436,960	36,986,165	405,324	405,237
Operating loss	(16,055,767)	(16,214,074)	584,237	365,450
Nonoperating revenues (expenses):				
State appropriations	13,776,780	13,991,286	-	-
Ad valorem property taxes for maintenance and operations	2,699,632	2,483,723	-	-
Investment income	620,102	481,994	187,468	183,879
Gifts	607,580	608,458	-	-
Interest on capital asset-related debt	(1,215,469)	(1,188,057)	-	-
Gain on sale of capital assets	-	484,375	-	-
Other nonoperating revenues (expenses), net	8,350	56,748	-	-
Net nonoperating revenues	16,496,975	16,918,527	187,468	183,879
Increase in net assets	441,208	704,453	771,705	549,329
Net assets - beginning of year	29,197,044	28,492,591	9,962,831	9,413,502
Net assets - end of year	\$ 29,638,252	29,197,044	10,734,536	9,962,831

See accompanying notes to the financial statements.

Navarro College District

Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2007 and 2006

	Primary Government	
	Navarro College District	
	2007	2006
Cash flows from operating activities		
Receipts from students and other customers	\$ 19,728,075	18,745,337
Receipts of grants and contracts	10,296,654	10,821,701
Other receipts	186,177	283,141
Payments to employees	(19,266,016)	(18,504,150)
Payments to suppliers and students for goods and services	(21,807,025)	(23,466,203)
Net cash used in operating activities	<u>(10,862,135)</u>	<u>(12,120,174)</u>
Cash flows from noncapital financing activities		
Receipts of state appropriations	11,751,276	12,128,856
Receipts from ad valorem property taxes for maintenance and operation	2,722,974	2,460,381
Receipts from gifts for other than capital purposes	607,580	608,458
Net cash provided by noncapital financing activities	<u>15,081,830</u>	<u>15,197,695</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of bonded debt	3,550,000	3,550,000
Proceeds from sale of land	-	2,750,000
Purchases of capital assets	(5,979,443)	(5,447,938)
Payments on capital debt principal	(1,029,843)	(709,074)
Payments on capital debt interest	(1,210,046)	(1,122,691)
Net cash used in capital and related financing activities	<u>(4,669,332)</u>	<u>(979,703)</u>
Cash flows from investing activities		
Proceeds from sale of investments	7,595,000	1,604,000
Receipts from interest on investments	631,886	406,388
Purchase of investments	(6,247,000)	(5,816,000)
Net cash provided by (used in) investing activities	<u>1,979,886</u>	<u>(3,805,612)</u>
Net increase (decrease) in cash and cash equivalents	1,530,249	(1,707,794)
Cash and cash equivalents - beginning of year	10,022,167	11,729,961
Cash and cash equivalents - end of year	<u>\$ 11,552,416</u>	<u>10,022,167</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (16,055,767)	(16,214,074)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,395,899	1,283,753
On-behalf payments	2,025,504	1,862,430
Other nonoperating revenues	8,350	56,748
Change in assets and liabilities:		
Receivables, net	251,386	1,353,111
Inventories	(469,254)	(79,890)
Prepaid expenses	(85,376)	6,510
Other assets	(29,985)	(32,366)
Accounts payable	1,206,072	(1,142,444)
Accrued liabilities	(4,162)	167,425
Funds held for others	16,884	92,568
Deferred revenue	878,314	526,055
Net cash used in operating activities	<u>\$ (10,862,135)</u>	<u>(12,120,174)</u>

See accompanying notes to the financial statements.



Navarro College District

Notes to Financial Statements

August 31, 2007 and 2006

(1) Nature of Operations and Reporting Entity

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

Navarro College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources, or income thereon, that the Foundation holds and invests are for the benefit of the District or its constituents. Because the net assets of the Foundation compared to the District are significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2007 and 2006, the Foundation expended \$228,799 and \$235,328, respectively, directly to the District or to the District on behalf of students for scholarships. Complete financial statements for the Foundation can be obtained from the Foundation office at 3100 W. Collin, Corsicana, Texas 75110.

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

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. Operating revenues of the District consist of tuition and fees, operating grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Operating expenses include the cost of providing educational services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the District consist of state appropriations and ad valorem property taxes. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

(b) Encumbrances

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

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(c) Scholarship Allowances and Discounts

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

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

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

(d) Cash and Cash Equivalents

Cash equivalents of \$1,450,000 and \$2,005,400 at August 31, 2007 and 2006, respectively, consist of certificates of deposit. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

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

(e) Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value, except for money market funds and participating interest-earning

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(e) Investments (continued)

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

(f) Inventories

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

(g) Capital Assets

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

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

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

(h) Deferred Revenue

Deferred revenue included amounts for tuition and fees and certain auxiliary activities totaling \$5,885,816 and \$5,007,502 at August 31, 2007 and 2006, respectively,

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Revenue (continued)

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

(i) Use of Estimates

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

(j) Reclassifications

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

(3) Authorized Investments

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

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

Navarro College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
<u>Deposits</u>		
Cash – demand deposits	\$ 10,098,266	8,012,742
Cash – certificates of deposit	1,450,000	2,005,400
Cash – petty cash on hand	<u>4,150</u>	<u>4,025</u>
Total deposits	<u>11,552,416</u>	<u>10,022,167</u>
 <u>Investments</u>		
U.S. government securities:		
U. S. Treasury Bills	1,790,000	3,087,000
Federal National Mortgage Association	1,100,000	1,100,000
Federal Home Loan Mortgage Corporation	819,000	-
Federal Home Loan Bank	<u>305,000</u>	<u>1,175,000</u>
Total investments	<u>4,014,000</u>	<u>5,362,000</u>
 Total deposits and investments	 \$ <u>15,566,416</u>	 <u>15,384,167</u>

Deposits and investments of the Foundation at August 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
<u>Deposits</u>		
Cash – demand deposits	\$ <u>236,029</u>	<u>114,854</u>
Total deposits	<u>236,029</u>	<u>114,854</u>
 <u>Investments</u>		
U.S. government securities	859,515	483,694
Corporate bonds	62,141	128,124
Marketable equity securities	391,415	377,831
Other investments	<u>92,858</u>	<u>275,863</u>
Total investments	<u>1,405,929</u>	<u>1,265,512</u>
 Total deposits and investments	 \$ <u>1,641,958</u>	 <u>1,380,366</u>

Navarro College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in years) of the District at August 31, 2007 and 2006 consists of the following:

	<u>2007</u>	<u>2006</u>
<u>Investments</u>		
U.S. government securities:		
U. S. Treasury Bills	.8 years	.8 years
Federal National Mortgage Association	1.9 years	.6 years
Federal Home Loan Mortgage Corporation	.9 years	-
Federal Home Loan Bank	.9 years	1.9 years

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in the securities of a single issuer. The District generally limits the amount which may be invested in any one issuer to 10% of the portfolio. More than 10% of the District's investments are in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These investments are 27% and 20%, respectively, of the District's total investments as of August 31, 2007.

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

Navarro College District

Notes to Financial Statements
(Continued)

(5) Accounts Receivable

Accounts receivable at August 31, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Tuition and fees	\$ 2,070,059	2,256,844
Ad valorem property taxes	288,833	312,175
Federal and state grants	612,391	410,970
Interest	96,444	108,228
Auxiliary and other	<u>468,749</u>	<u>384,771</u>
	3,536,476	3,472,988
Less allowance for doubtful accounts	<u>(1,106,866)</u>	<u>(756,866)</u>
Accounts receivable, net	\$ <u>2,429,610</u>	<u>2,716,122</u>

(6) Capital Assets

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

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

Navarro College District

Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

	<u>Balance September 1, 2006</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance August 31, 2007</u>
Less accumulated depreciation:				
Buildings and building improvements	\$ (9,582,504)	(880,046)	-	(10,462,550)
Other real estate improvements	<u>(1,465,995)</u>	<u>(130,106)</u>	<u>-</u>	<u>(1,596,101)</u>
Total buildings and other real estate improvements	(11,048,499)	(1,010,152)	-	(12,058,651)
Library books	(832,324)	(48,970)	162,748	(718,546)
Furniture and equipment	<u>(1,649,278)</u>	<u>(336,777)</u>	<u>-</u>	<u>(1,986,055)</u>
	<u>(13,530,101)</u>	<u>(1,395,899)</u>	<u>162,748</u>	<u>(14,763,252)</u>
	<u>43,889,532</u>	<u>(582,344)</u>	<u>(98,584)</u>	<u>43,208,604</u>
	\$ <u>46,978,796</u>	<u>4,682,128</u>	<u>(98,584)</u>	<u>51,562,340</u>

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

	<u>Balance September 1, 2005</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance August 31, 2006</u>
Capital assets, not being depreciated:				
Land	\$ 1,961,759	1,017,759	(365,625)	2,613,893
Collections	434,339	-	-	434,339
Construction in progress	<u>8,081,423</u>	<u>1,817,727</u>	<u>(9,858,118)</u>	<u>41,032</u>
	<u>10,477,521</u>	<u>2,835,486</u>	<u>(10,223,743)</u>	<u>3,089,264</u>
Capital assets, being depreciated:				
Buildings and building improvements	39,019,115	1,794,825	7,958,118	48,772,058
Other real estate improvements	<u>3,225,366</u>	<u>519,797</u>	<u>-</u>	<u>3,745,163</u>
Total buildings and other real estate improvements	42,244,481	2,314,622	7,958,118	52,517,221
Library books	1,158,271	58,044	-	1,216,315
Furniture and equipment	<u>3,446,311</u>	<u>239,786</u>	<u>-</u>	<u>3,686,097</u>
	<u>46,849,063</u>	<u>2,612,452</u>	<u>7,958,118</u>	<u>57,419,633</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	<u>Balance</u> September 1, 2005	<u>Additions</u>	<u>Transfers</u> and <u>Retirements</u>	<u>Balance</u> August 31, 2006
Less accumulated depreciation:				
Buildings and building improvements	\$ (8,794,424)	(788,080)	-	(9,582,504)
Other real estate improvements	<u>(1,341,890)</u>	<u>(124,105)</u>	<u>-</u>	<u>(1,465,995)</u>
Total buildings and other real estate improvements	(10,136,314)	(912,185)	-	(11,048,499)
Library books	(786,139)	(46,185)	-	(832,324)
Furniture and equipment	<u>(1,323,895)</u>	<u>(325,383)</u>	<u>-</u>	<u>(1,649,278)</u>
	<u>(12,246,348)</u>	<u>(1,283,753)</u>	<u>-</u>	<u>(13,530,101)</u>
	<u>34,602,715</u>	<u>1,328,699</u>	<u>7,958,118</u>	<u>43,889,532</u>
	\$ <u>45,080,236</u>	<u>4,164,185</u>	<u>(2,265,625)</u>	<u>46,978,796</u>

Construction Commitments

The District has active construction projects as of August 31, 2007. At August 31, 2007, the District's commitments with contractors are as follows:

	<u>Expended</u> <u>to Date</u>	<u>Committed</u>
Fire Academy	\$ 1,185,711	50,329
Waxahachie Classroom	<u>4,119,793</u>	<u>178,437</u>
	\$ <u>5,305,504</u>	<u>228,766</u>

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

	<u>Balance</u> September 1, 2006	<u>Additions</u>	<u>Transfers</u> and <u>Retirements</u>	<u>Balance</u> August 31, 2007
Capital assets, not being depreciated:				
Collections	\$ <u>7,541,442</u>	<u>485,458</u>	<u>-</u>	<u>8,026,900</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, <u>2006</u>	<u>Additions</u>	Transfers and <u>Retirements</u>	Balance August 31, <u>2007</u>
Capital assets, being depreciated:				
Buildings and building improvements	491,932	-	(491,932)	-
Furniture and equipment	<u>-</u>	<u>24,533</u>	<u>-</u>	<u>24,533</u>
	<u>491,932</u>	<u>24,533</u>	<u>(491,932)</u>	<u>24,533</u>
Less accumulated depreciation:				
Buildings and building improvements	(428,371)	-	428,371	-
Furniture and equipment	<u>-</u>	<u>(1,188)</u>	<u>-</u>	<u>(1,188)</u>
	<u>(428,371)</u>	<u>(1,188)</u>	<u>428,371</u>	<u>(1,188)</u>
	<u>63,561</u>	<u>23,345</u>	<u>(63,561)</u>	<u>23,345</u>
	\$ <u>7,605,003</u>	<u>508,803</u>	<u>(63,561)</u>	<u>8,050,245</u>

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

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

Navarro College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities

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

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

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

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

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Revenue bonds at August 31, 2007 and 2006 are comprised of the following individual issues:

	<u>2007</u>	<u>2006</u>
\$20,715,000 series 2003 revenue and refunding bonds, due in annual installments of \$225,000 to \$1,450,000 through May 2028; interest at 2% to 5.375%	\$ 19,615,000	20,190,000
\$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2027; interest at 3.7%	3,455,000	3,550,000
\$3,550,000 series 2007 revenue bonds due in annual installments of \$120,000 to \$250,000 through May 2027; interest at 4.08%	<u>3,550,000</u>	<u>-</u>
	\$ <u>26,620,000</u>	<u>23,740,000</u>

Notes payable at August 31, 2007 and 2006 are comprised of the following:

	<u>2007</u>	<u>2006</u>
\$600,000 note payable to a bank due in monthly installments of \$5,233 through April 2011; interest at two-thirds of the bank's base rate plus 0.5% (5.83% at August 31, 2007); secured by land	\$ 154,547	206,518
\$400,000 note payable to a bank due in semi-annual installments of \$26,528 through May 2007; interest at 5.9%	<u>-</u>	47,604
	\$ <u>154,547</u>	<u>254,122</u>

Debt service requirements to amortize revenue bonds payable and notes payable as of August 31, 2007, are as follows:

Navarro College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

For the Year Ended <u>August 31,</u>	Revenue Bonds		Notes Payable		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 840,000	1,205,495	55,247	7,544	2,108,286
2009	870,000	1,178,089	58,556	4,234	2,110,879
2010	895,000	1,148,474	40,744	1,918	2,086,136
2011	930,000	1,116,125	-	-	2,046,125
2012	965,000	1,079,252	-	-	2,044,252
2013 – 2017	5,445,000	4,765,413	-	-	10,210,413
2018 – 2022	6,845,000	3,369,663	-	-	10,214,663
2023 – 2027	8,380,000	1,569,124	-	-	9,949,124
2028	<u>1,450,000</u>	<u>72,500</u>	<u>-</u>	<u>-</u>	<u>1,522,500</u>
	<u>\$ 26,620,000</u>	<u>15,504,135</u>	<u>154,547</u>	<u>13,696</u>	<u>42,292,378</u>

(8) Capital Lease Obligations

The District leases a building under a noncancelable capital lease agreement that expires in August 2029. Amortization of assets held under capital leases is included with depreciation expense. Assets under capital leases at August 31, 2007 consisted of the following:

Building	\$ 4,651,416
Less: accumulated amortization	<u>(135,375)</u>
	<u>\$ 4,516,041</u>

The future minimum lease obligations and the net present value of future minimum lease payments as of August 31, 2007 are as follows:

<u>Fiscal Year</u>	
2008	\$ 318,125
2009	317,375
2010	316,375
2011	320,125
2012	318,375
2013 – 2017	1,601,975
2018 – 2022	1,651,330
2023 – 2027	1,704,165
2028 – 2029	<u>601,656</u>
Total minimum lease payments	7,149,501
Less amounts representing interest (at rates ranging from 4% to 5%)	<u>2,713,385</u>
Present value of minimum capital lease payments	<u>\$ 4,436,116</u>

Navarro College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan

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

Funding Policy. State law provides for fiscal years 2005, 2006 and 2007 a state contribution rate of 6.0% and a member contribution rate of 6.4%. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2007, 2006 and 2005 were \$451,531, \$413,862, and \$366,331, respectively, and are reported as revenues and expenses in the accompanying financial statements.

The State has also established an optional defined contribution retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System of Texas. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the State and each participant are 6.0% and 6.65%, respectively. The District supplements an additional 2.5% for a total of 8.5%. The contribution requirements for the years ended August 31, 2007, 2006 and 2005 were \$537,014, \$525,061, and \$476,209, which consisted of \$215,994, \$209,866, and \$189,946 from the State; \$255,562, \$250,316, and \$225,752 from the employees; \$52,622, \$48,895, and \$44,426 from the District; and \$12,836, \$15,984, and \$16,085 from federal grants.

Navarro College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

Contributions made by the State on behalf of the District are reported as revenues and expenses in the accompanying financial statements. Since these are individual annuity contracts, the State and the College have no additional or unfunded liability for this program.

The total payroll for all College employees was \$17,177,323 and \$16,274,237 for the years ended August 31, 2007 and 2006, respectively. The total payroll of employees covered by TRS was \$9,419,132 and \$8,728,293, and the total payroll of employees covered by the optional retirement program was \$3,843,126 and \$3,497,738 for the years ended August 31, 2007 and 2006, respectively.

(10) Compensated Absences

Full-time employees earn vacation at 6.67 hours per month. The District's policy is that any employee may carry accrued vacation forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid vacation of \$324,009 and \$320,081 at August 31, 2007 and 2006, respectively. Sick leave, which can be accumulated up to 480 hours, is earned at the rate of 8 hours per month. Unused sick leave will be compensated at termination of employment based upon the following years of service to the District:

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

The District recognized an accrued liability for the unpaid sick leave of \$1,047,656 and \$975,277 at August 31, 2007 and 2006, respectively.

(11) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk

Navarro College District

Notes to Financial Statements (Continued)

(11) Risk Management (continued)

management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$122,874. The claims liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Estimated future payments for incurred claims are charged to operating expenses. Changes in the balance of claims liability included in accrued liabilities during the past two years are as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$ 140,304	140,304
Incurred claims (including IBNR)	5,422	36,482
Claim payments	<u>(32,183)</u>	<u>(36,482)</u>
Unpaid claims, end of year	\$ <u>113,543</u>	<u>140,304</u>

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

In addition to providing pension benefits described in Notes 9 and 13, the State provides certain health care and life insurance benefits for retired employees of the District. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was approximately \$361 and \$343, respectively, per month for the years ended August 31, 2007 and 2006, and totaled \$1,358,077 and \$1,238,701 (including amounts received under SKIP of \$7,478 and \$7,227) for 2007 and 2006, respectively. The cost of providing those benefits for an average of 61 retirees was \$308,306 and for an average of 241 active employees was \$1,042,233 for the year ended August 31, 2007. The cost of providing those benefits for an average of 59 retirees was \$288,076 and for an average of 222 active employees was \$943,398 for the year ended August 31, 2006. These contributions made by the State on behalf of the District are reported as revenues and expenses in the accompanying financial statements.

(13) Voluntary Contributory Pension Plan

The District has a contributory, defined contribution, money-purchase pension plan which is administered by the trust departments at two local banks. Any employee who has completed one year of service, has attained age 21, and is actively employed on the last day

Navarro College District

Notes to Financial Statements (Continued)

(13) Voluntary Contributory Pension Plan

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 \$708,452 and \$670,032 in 2007 and 2006, respectively. Participant contributions were \$442,783 and \$418,770 in 2007 and 2006, respectively.

(14) Ad Valorem Property Taxes

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

	<u>2007</u>	<u>2006</u>
Assessed valuation of the District	\$ 2,075,341,228	1,854,903,155
Less: Abatements	60,368,092	58,649,052
Less: Exemptions	<u>56,239,536</u>	<u>55,521,462</u>
Net assessed valuation of the District	\$ <u>1,958,733,600</u>	<u>1,740,732,641</u>

Tax rates authorized and assessed during fiscal year 2007 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.500000	0.500000	1.000000
Tax rate per \$100 valuation for assessed	0.135000	0.000000	0.135000

Tax rates authorized and assessed during fiscal year 2006 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.500000	0.500000	1.000000
Tax rate per \$100 valuation for assessed	0.140500	0.000000	0.140500

Navarro College District

Notes to Financial Statements (Continued)

(14) Ad Valorem Property Taxes (continued)

Taxes levied for the year ended August 31, 2007 are \$2,644,308. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Tax collections for the year ended August 31, 2007 are as follows:

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

Taxes levied for the year ended August 31, 2006 were \$2,445,735. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Tax collections for the year ended August 31, 2006 were as follows:

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

Tax collections for the years ended August 31, 2007 and 2006 were 97% and 96% of the current tax levy, respectively. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(15) Budgets

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

Navarro College District

Notes to Financial Statements (Continued)

(16) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2007 or 2006.

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

(17) Contingencies

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

(18) Grants and Contracts

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

(19) Business Concentrations

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

(20) Transactions with Component Unit

The District received contributions from the Foundation for the years ended August 31, 2007 and 2006 in the amount of \$63,571 and \$51,601, respectively.

The District leases dormitory facilities from the Foundation. During the years ended August 31, 2007 and 2006, the District paid \$29,100 and \$58,200, respectively, to the Foundation under the lease agreement.

Navarro College District

Notes to Financial Statements (Continued)

(21) Authoritative Pronouncement Not Yet Adopted

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



Supplemental Information



Navarro College District

Schedule of Operating Revenues
(Schedule A)

Year Ended August 31, 2007
(With Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2007	2006
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 992,472	-	992,472	-	992,472	915,440
Out-of-district resident tuition	3,311,497	-	3,311,497	-	3,311,497	3,040,652
Non-resident tuition	535,704	-	535,704	-	535,704	447,073
TPEG - credit (set aside)	269,978	-	269,978	-	269,978	250,127
State funded continuing education	276,416	-	276,416	-	276,416	488,035
TPEG - non-credit (set aside)	15,431	-	15,431	-	15,431	28,851
Non-state funded educational programs	7,115	-	7,115	-	7,115	13,894
Total tuition	5,408,613	-	5,408,613	-	5,408,613	5,184,072
Fees:						
Building use fees	1,982,253	-	1,982,253	-	1,982,253	1,638,960
Student services fees	422,959	-	422,959	-	422,959	377,375
Laboratory fees	265,045	-	265,045	-	265,045	244,417
Out-of-district fees	2,902,250	-	2,902,250	-	2,902,250	2,501,509
Other fees	149,699	-	149,699	-	149,699	142,929
Total fees	5,722,206	-	5,722,206	-	5,722,206	4,905,190
Scholarship allowances and discounts:						
Title IV federal grants	(4,071,202)	-	(4,071,202)	-	(4,071,202)	(4,288,875)
TPEG awards	(177,999)	-	(177,999)	-	(177,999)	(277,832)
Total scholarship allowances	(4,249,201)	-	(4,249,201)	-	(4,249,201)	(4,566,707)
Total net tuition and fees	6,881,618	-	6,881,618	-	6,881,618	5,522,555
Additional operating revenues:						
Federal grants and contracts	-	9,431,603	9,431,603	-	9,431,603	9,887,235
State grants and contracts	-	938,010	938,010	-	938,010	638,876
Local grants and contracts	-	128,462	128,462	-	128,462	105,942
Sales and services of educational activities	323,871	-	323,871	-	323,871	302,157
General operating revenues	177,827	-	177,827	-	177,827	226,393
Total additional operating revenues	501,698	10,498,075	10,999,773	-	10,999,773	11,160,603
Auxiliary enterprises:						
Bookstore	-	-	-	3,965,392	3,965,392	3,806,827
less discounts	-	-	-	(1,489,667)	(1,489,667)	(1,569,314)
Dining services	-	-	-	1,748,471	1,748,471	1,698,599
less discounts	-	-	-	(677,121)	(677,121)	(741,858)
Housing	-	-	-	1,390,583	1,390,583	1,345,458
less discounts	-	-	-	(541,297)	(541,297)	(542,127)
Athletic sales and student programs	-	-	-	54,422	54,422	32,123
Gift shop	-	-	-	34,305	34,305	42,054
Other auxiliary enterprises	-	-	-	14,714	14,714	17,171
Total net auxiliary enterprises	-	-	-	4,499,802	4,499,802	4,088,933
Total operating revenues	\$ 7,383,316	10,498,075	17,881,391	4,499,802	22,381,193	20,772,091

In accordance with Education Code 56.033, \$285,409 and \$278,978 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2007 and 2006, respectively.

See accompanying independent auditors' report.

Navarro College District

Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2007
(With Totals for the year ended August 31, 2006)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2007	2006
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 9,146,937	-	1,225,086	787,434	11,159,457	10,769,043
Public service	16,090	-	2,092	3,198	21,380	19,338
Academic support	1,752,965	-	230,023	544,041	2,527,029	2,900,365
Student services	1,199,590	-	155,980	492,341	1,847,911	1,789,834
Institutional support	1,967,365	-	255,811	1,732,431	3,955,607	3,748,867
Operation and maintenance of plant	559,027	-	72,689	2,488,326	3,120,042	3,179,943
Total unrestricted educational activities	<u>14,641,974</u>	<u>-</u>	<u>1,941,681</u>	<u>6,047,771</u>	<u>22,631,426</u>	<u>22,407,390</u>
Restricted - educational activities:						
Instruction	607,477	1,258,180	101,571	627,090	2,594,318	2,527,023
Public service	69,362	2,213	17,367	15,494	104,436	116,027
Academic support	-	241,124	-	-	241,124	200,770
Student services	219,245	165,006	52,196	84,910	521,357	504,973
Institutional support	-	282,086	-	-	282,086	241,557
Operation and maintenance of plant	-	76,895	-	-	76,895	70,400
Scholarships and fellowships	-	-	-	2,676,838	2,676,838	2,309,532
Total restricted educational activities	<u>896,084</u>	<u>2,025,504</u>	<u>171,134</u>	<u>3,404,332</u>	<u>6,497,054</u>	<u>5,970,282</u>
Total educational activities	<u>15,538,058</u>	<u>2,025,504</u>	<u>2,112,815</u>	<u>9,452,103</u>	<u>29,128,480</u>	<u>28,377,672</u>
Auxiliary enterprises	<u>1,350,071</u>	<u>-</u>	<u>265,170</u>	<u>6,297,340</u>	<u>7,912,581</u>	<u>7,324,740</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	1,010,152	1,010,152	912,185
Equipment and furniture	-	-	-	336,777	336,777	325,383
Library books	-	-	-	48,970	48,970	46,185
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,395,899</u>	<u>1,395,899</u>	<u>1,283,753</u>
Total operating expenses	<u>\$ 16,888,129</u>	<u>2,025,504</u>	<u>2,377,985</u>	<u>17,145,342</u>	<u>38,436,960</u>	<u>36,986,165</u>

See accompanying independent auditors' report.

Navarro College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2007
(With Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2007	2006
Nonoperating revenues:					
State Appropriations:					
Education and general state support	\$ 11,751,276	-	-	11,751,276	12,128,856
State group insurance	-	1,358,077	-	1,358,077	1,238,702
State retirement matching	-	667,427	-	667,427	623,728
Total state appropriations	11,751,276	2,025,504	-	13,776,780	13,991,286
Maintenance ad valorem taxes	2,699,632	-	-	2,699,632	2,483,723
Investment income	253,034	299,000	68,068	620,102	481,994
Gifts	-	607,580	-	607,580	608,458
Gain on sale of capital asset	-	-	-	-	484,375
Other nonoperating revenues	8,350	-	-	8,350	56,748
Total nonoperating revenues	14,712,292	2,932,084	68,068	17,712,444	18,106,584
Nonoperating expenses:					
Interest on capital related debt	1,215,469	-	-	1,215,469	1,188,057
Total nonoperating expenses	1,215,469	-	-	1,215,469	1,188,057
Net nonoperating revenues	\$ 13,496,823	2,932,084	68,068	16,496,975	16,918,527

See accompanying independent auditors' report.

Navarro College District

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

Year Ended August 31, 2007

	Detail by Source				Available for Current Operation	
	Unrestricted	Restricted - Expendable	Invested in Capital Assets, Net of Related Debt	Total	Yes	No
Current:						
Unrestricted	\$ 2,379,393	-	-	2,379,393	2,379,393	-
Auxiliary	2,205,396	-	-	2,205,396	2,205,396	-
Scholarships and fellowships	-	3,146,041	-	3,146,041	-	3,146,041
Plant:						
Debt service	-	198,795	-	198,795	-	198,795
Investment in plant	1,282,638	-	20,425,989	21,708,627	-	21,708,627
 Total net assets, August 31, 2007	 5,867,427	 3,344,836	 20,425,989	 29,638,252	 4,584,789	 25,053,463
 Total net assets, August 31, 2006	 4,394,142	 3,270,450	 21,532,452	 29,197,044	 3,956,986	 25,240,058
 Net increase (decrease) in net assets	 \$ 1,473,285	 74,386	 (1,106,463)	 441,208	 627,803	 (186,595)

See accompanying independent auditors' report.

Navarro College District

Schedule of Expenditures of Federal Awards
(Schedule E)

Year Ended August 31, 2007

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Indirect Costs, Pass Through Disbursements and Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Federal Supplemental Education Opportunity Grant Program	84.007 *1		\$ 119,651
Federal Work Study Program	84.033 *1		123,595
TRIO - Student Support Services	84.042		356,351
Federal Pell Grant Program	84.063 *1		7,459,760
Academic Competiveness Grant	84.375A		230,306
Total Direct Programs			8,289,663
Pass Through From:			
Texas Education Agency:			
Adult Education	84.002	07410007110156	293,976
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	74231	501,293
Leverage Education Assistance Program	84.069A		11,074
Special Leveraging Educational Assistance Program	84.069B		18,837
BYRD	84.185		5,562
Dallas County Community College District:			
Vocational Education - Technical Preparation	84.243		156,765
Total U. S. Department of Education			9,277,170
<u>U. S. Department of Labor</u>			
Pass Through From North Central Texas Council of Governments:			
First Generation College Student Initiative - Academic	17.260	FY-07-FGCS-01-B	63,007
Total U.S. Department of Labor			63,007
<u>U. S. Small Business Administration</u>			
Pass Through From Dallas County Community College District:			
Small Business Development	59.037		42,932
Total U. S. Small Business Administration			42,932
<u>U. S. Department of Health and Human Services</u>			
Pass Through From Texas Education Agency:			
Temporary Assistance for Needy Families	93.558	063625017110079	19,513
Temporary Assistance for Needy Families	93.558	073625017110144	27,821
Total U.S. Department of Health and Human Services			47,334
Total Federal Awards			\$ 9,430,443

* Federal award cluster of programs

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



Navarro College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2007

(1) Federal Revenue Reconciliation

Federal revenues for 2007 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 9,431,603
Less: Veterans Administration processing fees	<u>(1,160)</u>
Total per Schedule of Expenditures of Federal Awards	\$ <u>9,430,443</u>

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Navarro College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Student Loans Processed and Administrative Costs Recovered

	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total loans Processed and Administrative Cost Recovered</u>
U. S. Department of Education 84.032 Federal Family Education Loans	\$ <u>11,740,427</u>	<u>-</u>	<u>11,740,427</u>



Navarro College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2007

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Indirect Costs and Expenditures</u>
Texas Higher Education Coordinating Board		
State Work Study		\$ 59,292
Texas Grant Program		260,190
Texas Grant II Program		95,550
Texas Tomorrow Fund		63,969
Certified Education Aide		111,756
Developmental Education Bridge Program		13,627
Texas Be on Time		1,983
Total Texas Higher Education Coordinating Board		<u>606,367</u>
Texas Education Agency		
State Adult Education	070100017110056	64,166
Temporary Assistance for Needy Families	070110017110144	16,823
Total Texas Education Agency		<u>80,989</u>
Texas Workforce Commission		
Skills Development - Koyo Steering	0406SDF001	193,455
Skills Development - Ellis County Consortium	0407SDF003	1,334
Total Texas Workforce Commission		<u>194,789</u>
Small Business Development Center		<u>28,439</u>
Austin Community College - Virtual College of Texas		<u>5,650</u>
Early High School Graduate		<u>2,080</u>
Charley Wootan		<u>10,000</u>
Total State Awards		<u>\$ 928,314</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, 2007

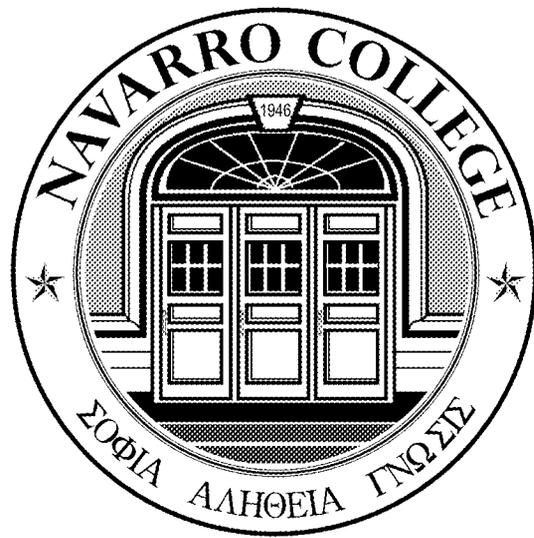
(1) State Revenue Reconciliation

State revenues for 2007 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ 938,010
Funding received prior to awarding of scholarship	<u>(9,696)</u>
Total per Schedule of Expenditures of State Awards	\$ <u>928,314</u>

(2) Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of Navarro College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Grant Management Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Statistical Section

Financial Trends Information

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

Net Assets by Component

Revenues by Source

Expenses by Function and Changes in Net Assets

Revenue Capacity Information

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

Tuition and Fees

Assessed Value and Estimated Actual Value of Taxable Property

Direct and Overlapping Property Tax Rates

Principal Taxpayers

Property Tax Levies and Collections

Debt Capacity Information

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

Ratios of Outstanding Debt by Type

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 - 2004 – 2005 Graduates as of Fall 2005

Capital Asset Information



Navarro College District

Net Assets by Component
Fiscal Years 2002 to 2007
(Unaudited)

	For the Fiscal Year Ended August 31,					
	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 20,425,989	21,532,452	21,173,689	20,707,351	15,590,718	15,094,013
Restricted	3,344,836	3,270,450	3,282,817	3,194,512	3,020,182	3,758,768
Unrestricted	<u>5,867,427</u>	<u>4,394,142</u>	<u>4,036,085</u>	<u>4,520,280</u>	<u>3,580,224</u>	<u>2,179,430</u>
Total net assets	<u>\$ 29,638,252</u>	<u>29,197,044</u>	<u>28,492,591</u>	<u>28,422,143</u>	<u>22,191,124</u>	<u>21,032,211</u>

Note : Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

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

Navarro College District

Revenues by Source Fiscal Years 2002 to 2007 (Unaudited)

	2007	2006
Tuition and fees (net of discounts)	\$ 6,881,618	5,522,555
Federal grants and contracts	9,431,603	9,887,235
State grants and contracts	938,010	638,876
Local grants and contracts	128,462	105,942
Sales and services of educational activities	323,871	302,157
Auxiliary enterprises (net of discounts)	4,499,802	4,088,933
Other operating revenues	177,827	226,393
Total operating revenues	22,381,193	20,772,091
State allocations	13,776,780	13,991,286
Ad valorem taxes	2,699,632	2,483,723
Gifts	607,580	608,458
Investment income	620,102	481,994
Other non-operating revenues	8,350	56,748
Gain on sale of capital assets	-	484,375
Total non-operating revenues	17,712,444	18,106,584
Total revenues	\$ 40,093,637	38,878,675
Tuition and fees (net of discounts)	17.16%	14.20%
Federal grants and contracts	23.52%	25.43%
State grants and contracts	2.34%	1.64%
Local grants and contracts	0.32%	0.27%
Sales and services of educational activities	0.81%	0.78%
Auxiliary enterprises (net of discounts)	11.22%	10.52%
Other operating revenues	0.44%	0.58%
Total operating revenues	55.82%	53.43%
State appropriations	34.36%	35.99%
Ad valorem property taxes	6.73%	6.39%
Gifts	1.52%	1.57%
Investment income	1.55%	1.24%
Other non-operating revenues	0.02%	0.15%
Gain on disposal of assets	0.00%	1.25%
Total non-operating revenues	44.18%	46.57%
Total revenues	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available

For the Fiscal Year Ended August 31,

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

Navarro College District

Expenses by Function and Changes in Net Assets Fiscal Years 2002 to 2007 (Unaudited)

	2007	2006
Instruction	\$ 13,753,775	13,296,066
Public service	125,816	135,365
Academic support	2,768,153	3,101,135
Student services	2,369,268	2,294,807
Institutional support	4,237,693	3,990,424
Operation and maintenance of plant	3,196,937	3,250,343
Scholarships and fellowships	2,676,838	2,309,532
Auxiliary enterprises	7,912,581	7,324,740
Depreciation	1,395,899	1,283,753
Total operating expenses	38,436,960	36,986,165
Bank fees	-	-
Interest on capital related debt	1,215,469	1,188,057
Total non-operating expenses	1,215,469	1,188,057
Total expenses	\$ 39,652,429	38,174,222
Change in net assets	\$ 441,208	704,453
Instruction	34.69%	34.83%
Public service	0.32%	0.35%
Academic support	6.98%	8.12%
Student services	5.98%	6.01%
Institutional support	10.69%	10.45%
Operation and maintenance of plant	8.06%	8.51%
Scholarships and fellowships	6.75%	6.05%
Auxiliary enterprises	19.95%	19.19%
Depreciation	3.52%	3.36%
Total operating expenses	96.93%	96.89%
Interest on capital related debt	3.07%	3.11%
Total non-operating expenses	3.07%	3.11%
Total expenses	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

For the Fiscal Year Ended August 31,

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
12,500,569	11,621,720	11,673,577	9,631,145
123,866	19,341	16,109	113,734
2,255,733	1,754,738	1,784,211	2,437,694
1,636,654	1,532,696	1,621,629	1,694,395
3,161,359	2,870,416	2,473,797	2,494,828
2,453,004	2,234,986	2,013,947	2,054,046
2,325,806	564,981	592,402	1,057,714
6,851,913	6,125,073	5,454,594	3,556,582
1,091,485	755,684	666,374	599,763
<u>32,400,389</u>	<u>27,479,635</u>	<u>26,296,640</u>	<u>23,639,901</u>
-	300	85	3,675
1,035,709	1,138,216	572,088	378,881
<u>1,035,709</u>	<u>1,138,516</u>	<u>572,173</u>	<u>382,556</u>
<u>33,436,098</u>	<u>28,618,151</u>	<u>26,868,813</u>	<u>24,022,457</u>
<u>124,909</u>	<u>6,231,019</u>	<u>1,167,067</u>	<u>1,249,859</u>
37.39%	40.61%	43.45%	40.09%
0.37%	0.07%	0.06%	0.47%
6.75%	6.13%	6.64%	10.15%
4.89%	5.36%	6.04%	7.05%
9.45%	10.03%	9.21%	10.39%
7.34%	7.81%	7.50%	8.55%
6.96%	1.97%	2.20%	4.40%
20.49%	21.40%	20.30%	14.81%
3.26%	2.64%	2.48%	2.50%
<u>96.90%</u>	<u>96.02%</u>	<u>97.87%</u>	<u>98.41%</u>
3.10%	3.98%	2.13%	1.59%
<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>	<u>1.59%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Navarro College District

Tuition and Fees
Last Ten Academic Years
(Unaudited)

Resident Students (1)

Fiscal Year (Fall)	Tuition		General Services Fee (2)	Matriculation Fee	Building Use Fee	Vehicle Registration Fee
	In-District	Out-of-District				
2007	\$ 372	696	-	10	204	10
2006	360	648	-	10	144	10
2005	336	588	-	10	132	10
2004	324	576	(4)	(4)	132	10
2003	264	504	42	10	120	10
2002	264	456	42	10	72	10
2001	264	408	42	10	72	0
2000	264	(3) 408	42	10	72	0
1999	216	336	42	10	72	0
1998	216	336	42	10	72	0

Technology Fee	Total Cost		Increase from Prior Year		Semester Credit Hours
	In-District	Out-of-District	In-District	Out-of-District	
-	596	920	13.74%	13.30%	15,663
-	524	812	7.38%	9.73%	14,795
-	488	740	2.52%	1.65%	14,013
-	476	728	6.73%	6.12%	13,508
-	446	686	12.06%	16.27%	13,472
-	398	590	2.58%	10.90%	9,880
-	388	532	0.00%	0.00%	11,356
- (3)	388	532	0.00%	4.72%	10,115
48	388	508	0.00%	0.00%	9,189
48	388	508	10.23%	10.43%	9,098

(Continued)

Navarro College District

Tuition and Fees
Last Ten Academic Years
(Continued)

Non-Resident Students (1)

Fiscal Year (Fall)	Tuition	Out-of-District Fee	General Services Fee (2)	Matriculation Fee	Building Use Fee	Vehicle Registration Fee
2007	809	324	-	10	204	10
2006	773	288	-	10	144	10
2005	677	252	-	10	132	10
2004	665	252	(4) -	(4) 10	132	10
2003	605	240	42	10	120	10
2002	570	192	42	10	72	10
2001	473	144	42	10	72	-
2000	473	(3) 144	42	10	72	-
1999	400	120	42	10	72	-
1998	350	108	42	10	72	-

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

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

<u>Technology Fee</u>	<u>Total Cost</u>	<u>Increase from Prior Year</u>	<u>Semester Credit Hours</u>
-	1,357	10.78%	2,738
-	1,225	13.32%	3,785
-	1,081	1.12%	4,025
-	1,069	4.09%	4,325
-	1,027	14.62%	5,542
-	896	20.92%	6,243
-	741	0.00%	7,027
- (3)	741	7.08%	6,065
48	692	9.84%	4,586
48	630	6.06%	5,138

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
2007	\$ 2,075,341,228	116,607,628	1,958,733,600
2006	1,854,903,155	114,170,514	1,740,732,641
2005	1,726,100,913	101,238,919	1,624,861,994
2004	1,645,733,535	91,710,674	1,554,022,861
2003	1,573,712,142	87,692,484	1,486,019,658
2002	1,519,200,552	87,810,123	1,431,390,429
2001	1,453,887,211	96,622,396	1,357,264,815
2000	1,301,111,555	55,443,963	1,245,667,592
1999	1,196,054,824	56,743,224	1,139,311,600
1998	1,184,223,866	58,702,991	1,125,520,875

Source: Navarro County Appraisal District

Note: Property is assessed at full market value.

Ratio of Taxable Value to Assessed Value	Estimated Actual Value	Direct Rate		
		Maintenance and Operations	Debt Service	Total
94.38%	\$ 2,075,341,228	0.13500	-	0.13500
93.84%	1,854,903,155	0.14050	-	0.14050
94.13%	1,726,100,913	0.14050	-	0.14050
94.43%	1,645,733,535	0.14050	-	0.14050
94.43%	1,573,712,142	0.14050	-	0.14050
94.22%	1,519,200,552	0.14177	-	0.14177
93.35%	1,453,887,211	0.14177	-	0.14177
95.74%	1,301,111,555	0.12180	-	0.12180
95.26%	1,196,054,824	0.12180	-	0.12180
95.04%	1,184,223,866	0.12180	-	0.12180

Navarro College District

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Navarro College District	\$ 0.1350	0.1405	0.1405	0.1405
County:				
Navarro County	0.5973	0.6243	0.6246	0.5860
Cities:				
Barry	0.3279	0.3345	0.3380	0.3380
Blooming Grove	0.5000	0.4940	0.4383	0.4365
Corsicana	0.6272	0.6272	0.5995	0.5995
Dawson	0.4143	0.4516	0.4335	0.4334
Emhouse	0.3332	0.3341	0.3377	0.3377
Frost	0.5000	0.5000	0.4834	0.4983
Good Low	0.1000	0.1000	0.1000	-
Kerens	0.6584	0.6107	0.5500	0.5500
Rice	0.3200	0.3063	0.2675	0.2500
Richland	0.2009	0.2056	0.2082	0.2079
School Districts:				
Blooming Grove	1.4530	1.5830	1.5781	1.5000
Corsicana	1.5038	1.6746	1.5208	1.4908
Dawson	1.3700	1.5000	1.5000	1.5000
Frost	1.4600	1.5650	1.5300	1.4300
Kerens	1.3060	1.4000	1.4000	1.4000
Mildred	1.3027	1.4220	1.4220	1.4220
Rice	1.4882	1.5896	1.5720	1.5822

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>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
0.1418	0.14180	0.12180	0.1218	0.1218	0.1200
0.5496	0.5496	0.5496	0.5496	0.5058	0.5000
0.3380	0.3401	0.3401	0.3401	0.3401	0.3359
0.4387	0.4300	0.4300	0.4300	0.4305	0.4254
0.5995	0.5995	0.5995	0.5995	0.5995	0.5995
0.4268	0.4218	0.4213	0.4080	0.4060	0.4060
0.3377	0.3377	0.3377	0.3228	0.3401	0.3215
0.4900	0.4900	0.5000	0.5202	0.5297	0.5136
-	-	-	-	-	-
0.5500	0.5165	0.4999	0.4833	0.4833	0.4897
0.2294	0.2294	0.2172	0.2147	0.2147	0.2170
0.1964	0.2168	0.2301	0.2399	0.2572	0.2481
1.5000	1.5000	1.5500	1.5500	1.5500	1.5500
1.4908	1.4908	1.3499	1.5186	1.4686	1.4750
1.5000	1.5000	1.5000	1.4200	1.3660	1.3800
1.4300	1.4000	1.4000	1.4000	1.4000	1.3350
1.4000	1.3300	1.3300	1.3300	1.2300	1.2300
1.4220	1.4220	1.4220	1.4220	1.4220	1.4270
1.5696	1.5367	1.5188	1.5092	1.4956	1.5000

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Unaudited)

Taxpayer	Type of Business			
		2006	2005	2004
TXU Electric	Electric Company	\$ 46,825,980	45,837,720	-
Home Depot	Retail Distribution	37,313,868	-	-
Guardian Industry	Glass Manufacturer	35,066,100	30,321,450	27,881,140
Russell Stover Candies-Abated	Candy Manufacturer	26,029,795	27,311,080	25,355,140
True Value Co. - Non-Abated	Retail Distribution	24,754,330	-	-
Energy Transfer Fuel LP	Electric Company	20,924,160	-	-
Magellan Pipeline Co, LP	Pipeline company	16,695,070	-	-
Sunoco Pipeline LP	Pipeline company	16,331,100	-	-
Corsicana Techonoligies Inc.	Manufacturer	14,288,340	-	-
TXI Operations LP	Manufacturer	13,809,390	-	-
Guardian Industry - Abated	Glass Manufacturer	-	18,249,660	19,030,070
Tru-Serv Corporation- Non-Abated	Retail Distribution	-	22,615,740	22,179,070
Tru-Serv Corporation- Abated	Retail Distribution	-	-	10,565,510
Pactiv-Foam	Foam Manufacturer	-	14,431,380	14,076,830
Pactiv-Foam - Abated	Foam Manufacturer	-	7,491,480	6,655,720
Union Pacific	RR Company	-	13,088,980	13,393,540
SouthWestern Bell Telephone	Telephone Company	-	11,558,680	-
Kohl's Distribution	Retail Distribution	-	11,238,160	-
K-Mart Corporation	Retail Distribution	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Williamhouse of Texas, LLC	Stationary Distribution	-	-	-
Shell Pipeline, Co.	Oil Distribution	-	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Oncor Electric Delivery	Electric Utility	-	-	42,837,170
Mobil Pipeline	Oil Distribution	-	-	-
Equilon Pipeline Company	Oil Distribution	-	-	-
Burlington Northern Santa Fe	Rail Road	-	-	-
Amoco Foam Products Co	Manufacturer	-	-	-
Cotter & Company	Oil Distribution	-	-	-
Venture Stores, Inc. #99	Retail Store	-	-	-
Toms Foods, Inc.	Manufacturer	-	-	-
Tenneco	Automotive	-	-	-
KRCV, Corp	Banking	-	-	-
General Tel Co. of SW	Telephone Company	-	-	-
AP&P MFG, Inc	Manufacturer	-	-	-
Swift Transportation	Transportation	-	-	13,458,916
Totals		\$ <u>252,038,133</u>	<u>202,144,330</u>	<u>195,433,106</u>
Net taxable assessed value		\$ <u>1,958,733,600</u>	<u>1,740,732,641</u>	<u>1,624,861,994</u>

Taxable Assessed Value						
2003	2002	2001	2000	1999	1998	1997
-	-	-	31,225,230	29,486,290	27,369,120	29,939,510
-	-	-	-	-	-	-
47,066,430	30,638,830	47,135,040	31,228,970	36,193,760	36,708,390	38,521,880
21,916,170	8,499,420	33,779,360	80,562,770	28,758,370	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	10,322,940	-	-	-
42,863,960	21,916,170	33,537,390	24,865,540	13,811,850	-	-
-	-	-	11,418,440	11,379,500	-	-
30,638,830	11,796,340	12,344,980	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	12,431,050	12,476,880	12,437,990	13,122,380	14,231,520
-	-	-	-	-	-	-
52,168,950	57,350,490	51,898,560	56,932,860	73,198,220	65,378,459	65,378,459
15,792,250	7,342,500	-	-	-	-	8,363,770
12,188,290	6,511,390	-	-	-	-	-
11,796,340	6,268,350	-	-	-	-	-
11,683,940	6,118,700	-	-	-	-	-
11,406,370	6,115,150	-	-	-	-	-
-	-	42,574,490	-	-	-	-
-	-	8,735,700	10,602,840	7,828,110	7,478,770	8,322,370
-	-	8,596,160	-	-	-	-
-	-	7,980,950	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	15,192,644	15,192,644
-	-	-	-	-	-	15,463,145
-	-	-	-	-	7,534,420	7,718,580
-	-	-	-	20,473,290	10,331,340	12,048,620
-	-	-	-	7,485,050	7,485,050	-
-	-	-	-	-	6,955,520	-
-	-	-	11,359,000	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>257,521,530</u>	<u>162,557,340</u>	<u>259,013,680</u>	<u>280,995,470</u>	<u>241,052,430</u>	<u>197,556,093</u>	<u>215,180,498</u>
<u>1,554,022,861</u>	<u>1,486,019,658</u>	<u>1,431,390,429</u>	<u>1,357,264,815</u>	<u>1,245,667,592</u>	<u>1,139,311,600</u>	<u>1,125,520,875</u>

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Continued)

Taxpayer	Type of Business			
		2006	2005	2004
TXU Electric	Electric Company	2.39%	2.63%	-
Home Depot	Retail Distribution	1.90%	-	-
Guardian Industry	Glass Manufacturer	1.79%	1.74%	1.62%
Russell Stover Candies-Abated	Candy Manufacturer	1.33%	1.57%	1.47%
True Value Co. - Non-Abated	Retail Distribution	1.26%	-	-
Energy Transfer Fuel LP	Electric Company	1.07%	-	-
Magellan Pipeline Co, LP	Pipeline company	0.85%	-	-
Sunoco Pipeline LP	Pipeline company	0.83%	-	-
Corsicana Techonoligies Inc.	Manufacturer	0.73%	-	-
TXI Operations LP	Manufacturer	0.71%	-	-
Guardian Industry - Abated	Glass Manufacturer	-	1.05%	1.10%
Tru-Serv Corporation- Non-Abated	Retail Distribution	-	1.30%	1.28%
Tru-Serv Corporation- Abated	Retail Distribution	-	-	0.60%
Pactiv-Foam	Foam Manufacturer	-	0.83%	0.82%
Pactiv-Foam - Abated	Foam Manufacturer	-	0.43%	0.39%
Union Pacific	RR Company	-	0.75%	0.78%
SouthWestern Bell Telephone	Telephone Company	-	0.66%	-
Kohl's Distribution	Retail Distribution	-	0.65%	-
K-Mart Corporation	Retail Distribution	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Williamhouse of Texas, LLC	Stationary Distribution	-	-	-
Shell Pipeline, Co.	Oil Distribution	-	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Oncor Electric Delivery	Electric Utility	-	-	2.48%
Mobil Pipeline	Oil Distribution	-	-	-
Equilon Pipeline Company	Oil Distribution	-	-	-
Burlington Northern Santa Fe	Rail Road	-	-	-
Amoco Foam Products Co	Manufacturer	-	-	-
Cotter & Company	Oil Distribution	-	-	-
Venture Stores, Inc. #99	Retail Store	-	-	-
Toms Foods, Inc.	Manufacturer	-	-	-
Tenneco	Automotive	-	-	-
KRCV, Corp	Banking	-	-	-
General Tel Co. of SW	Telephone Company	-	-	-
AP&P MFG, Inc	Manufacturer	-	-	-
Swift Transportation	Transportation	-	-	0.83%
	Totals	<u>12.87%</u>	<u>11.61%</u>	<u>11.37%</u>

Source: Navarro County Appraisal District

Taxable Assessed Value

2003	2002	2001	2000	1999	1998	1997
-	-	-	2.30%	2.37%	2.40%	2.66%
-	-	-	-	-	-	-
3.03%	1.46%	3.10%	2.30%	2.91%	3.22%	3.42%
1.41%	0.40%	2.22%	5.94%	2.31%	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	0.76%	-	-	-
2.76%	1.04%	2.21%	1.83%	1.11%	-	-
-	-	-	0.84%	0.91%	-	-
1.97%	0.56%	0.81%	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	0.82%	0.92%	1.00%	1.15%	1.26%
-	-	-	-	-	-	-
3.36%	2.73%	3.42%	4.19%	5.88%	5.74%	5.81%
1.02%	0.35%	-	-	-	-	0.74%
0.78%	0.32%	-	-	-	-	-
0.76%	0.30%	-	-	-	-	-
0.75%	0.29%	-	-	-	-	-
0.73%	0.29%	-	-	-	-	-
-	-	2.80%	-	-	-	-
-	-	0.58%	0.78%	0.63%	0.66%	0.74%
-	-	0.57%	-	-	-	-
-	-	0.53%	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1.33%	1.35%
-	-	-	-	-	-	1.37%
-	-	-	-	-	0.66%	0.69%
-	-	-	-	1.64%	0.91%	1.07%
-	-	-	-	0.60%	0.66%	-
-	-	-	-	-	0.61%	-
-	-	-	0.84%	-	-	-
-	-	-	-	-	-	-
<u>16.57%</u>	<u>7.74%</u>	<u>17.06%</u>	<u>20.70%</u>	<u>19.35%</u>	<u>17.34%</u>	<u>19.12%</u>

Navarro College District

Property Tax Levies and Collections Fiscal Years 2000 to 2007 (Unaudited)

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

Source: Navarro County Tax Assessor-Collector (According to Navarro County Tax Assessor-Collector, only fiscal years 2000 - 2007 are available.)

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

Collections- Year of Levy			Collections in Subsequent Years	Total Collections To Date	
Amount	Percent			Amount	Percent
2,571,228	97.15%	\$	-	2,571,228	97.15%
2,347,645	96.43%		46,510	2,394,155	98.34%
2,191,308	96.11%		45,476	2,236,784	98.10%
2,082,706	95.42%		66,195	2,148,901	98.46%
1,920,141	92.11%		127,934	2,048,075	98.24%
1,809,594	90.07%		165,992	1,975,586	98.33%
1,825,326	95.00%		70,093	1,895,419	98.65%
1,438,154	94.95%		60,285	1,498,439	98.93%

Navarro College District

Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

	2007	2006	2005
General Bonded Debt			
General obligation bonds	\$ -	-	-
Other Debt			
Revenue bonds	26,620,000	23,740,000	20,490,000
Notes payable	154,547	254,122	448,093
Capital lease obligations	4,436,116	4,696,384	4,857,779
Total other debt	31,210,663	28,690,506	25,795,872
Total outstanding debt	\$ 31,210,663	28,690,506	25,795,872
Total Outstanding Debt Ratios			
Per capita	\$ 631	591	532
Per student	2,630	2,560	2,413
As a percentage of taxable assessed value	1.59%	1.65%	1.59%
As a percentage of personal income	2.65%	2.59%	2.43%

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

For the Year Ended August 31,						
2004	2003	2002	2001	2000	1999	1998
-	-	-	-	-	-	-
20,715,000	20,715,000	5,575,496	6,178,871	5,254,971	2,695,000	2,525,000
915,863	1,131,727	1,338,398	1,149,462	1,290,400	1,438,057	1,549,661
235,196	381,961	223,873	302,626	374,801	-	-
<u>21,866,059</u>	<u>22,228,688</u>	<u>7,137,767</u>	<u>7,630,959</u>	<u>6,920,172</u>	<u>4,133,057</u>	<u>4,074,661</u>
<u>21,866,059</u>	<u>22,228,688</u>	<u>7,137,767</u>	<u>7,630,959</u>	<u>6,920,172</u>	<u>4,133,057</u>	<u>4,074,661</u>
454	469	153	166	153	93	93
2,205	2,469	903	1,082	1,067	669	673
1.41%	1.50%	0.50%	0.56%	0.56%	0.36%	0.36%
2.15%	2.24%	0.74%	0.81%	0.77%	0.48%	0.51%

Navarro College District

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Taxable Assessed Value	\$ <u>1,958,733,600</u>	<u>1,740,732,641</u>	<u>1,624,861,994</u>	<u>1,554,022,861</u>
General Obligation Bonds				
Statutory tax levy limit for debt service	\$ 9,793,668	8,703,663	8,124,310	7,770,114
Current year debt service requirements requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of statutory limit for debt service over current requirements	\$ <u>9,793,668</u>	<u>8,703,663</u>	<u>8,124,310</u>	<u>7,770,114</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					
2003	2002	2001	2000	1999	1998
<u>1,486,019,658</u>	<u>1,431,390,429</u>	<u>1,357,264,815</u>	<u>1,245,667,592</u>	<u>1,139,311,600</u>	<u>1,125,520,875</u>
7,430,098	7,156,952	6,786,324	6,228,338	5,696,558	5,627,604
-	-	-	-	-	-
<u>7,430,098</u>	<u>7,156,952</u>	<u>6,786,324</u>	<u>6,228,338</u>	<u>5,696,558</u>	<u>5,627,604</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Navarro College District

Pledged Revenue Coverage Last Ten Fiscal Years (Unaudited)

Fiscal Year	Pledged Revenues					
	Tuition Pledged (1)	Building Fee	Out of District Fee (2)	Other Fees (2)	Pledged Auxiliary Revenue	Less Auxiliary Expenses
2007	\$ 263,768	1,982,253	2,902,250	820,493	7,138,751	5,965,548
2006	237,668	1,638,960	2,501,509	764,721	6,892,938	5,593,455
2005	221,460	1,586,746	2,358,743	788,544	6,562,232	5,003,324
2004	206,535	1,206,054	2,063,395	872,453	5,925,334	4,770,100
2003	182,828	918,247	1,502,253	728,396	5,332,367	4,297,630
2002	153,120	648,194	-	-	3,161,285	2,351,960
2001	139,927	581,584	-	-	4,124,306	2,777,307
2000	120,323	530,523	-	-	4,036,774	2,945,268
1999	114,953	503,030	-	-	3,302,757	2,066,997
1998	114,383	493,887	-	-	2,930,400	2,080,584

Notes:

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

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

Net			Debt Service Requirements			Coverage Ratio
Auxiliary Available	Interest Income	Total	Principal	Interest	Total	
7,141,967	364,969	7,506,936	670,000	1,107,889	1,777,889	4.22
6,442,340	263,299	6,705,640	300,000	952,620	1,252,620	5.35
6,514,400	132,811	6,647,211	225,000	957,120	1,182,120	5.62
5,503,672	116,391	5,620,062	-	994,341	994,341	5.65
4,366,460	102,770	4,469,230	500,000	28,500	528,500	8.46
1,610,639	18,889	1,629,528	603,375	305,136	908,511	1.79
2,068,510	82,737	2,151,247	576,100	274,803	850,903	2.53
1,742,352	36,240	1,778,592	535,029	194,499	729,528	2.44
1,853,743	47,388	1,901,131	470,000	147,323	617,323	3.08
1,458,086	49,042	1,507,128	445,000	160,970	605,970	2.49

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
2006	49,440	\$ 1,177,303,270	24,177	5.7%
2005	48,525	1,126,606,000	23,136	5.4%
2004	48,215	1,060,397,000	21,993	5.7%
2003	47,386	1,016,509,000	21,463	6.2%
2002	46,799	991,316,000	21,180	6.0%
2001	46,036	966,894,000	21,003	5.4%
2000	45,124	944,452,000	20,835	3.9%
1999	44,440	899,224,000	20,235	N/A
1998	43,682	855,155,000	19,577	N/A
1997	42,852	805,194,000	18,790	N/A

Source: Texas Workforce Commission

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

Navarro College District

Principal Employers Last Two Fiscal Years (Unaudited)

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

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

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

Navarro College District

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

Fiscal Year	State Appropriation	Appropriation per FTSE	
		FTSE	State Appropriation per FTSE
2007	\$ 10,587,066	11,866	\$ 892
2006	10,587,066	11,207	945
2005	10,121,395	10,691	947
2004	10,153,252	9,916	1,024
2003	9,900,296	9,004	1,100
2002	10,901,088	7,910	1,378
2001	8,468,925	7,055	1,200
2000	8,014,405	6,485	1,236
1999	7,834,241	6,180	1,268
1998	7,572,221	6,055	1,251

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

Apropriation per Contact Hour

Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
2,457,624	895,344	3,352,968	\$ 3.16
2,450,256	713,896	3,164,152	3.35
2,350,836	673,660	3,024,496	3.35
2,222,272	616,268	2,838,540	3.58
2,007,904	605,132	2,613,036	3.79
1,794,914	585,720	2,380,634	4.58
1,578,816	560,304	2,139,120	3.96
1,318,816	659,912	1,978,728	4.05
1,189,000	691,228	1,880,228	4.17
1,147,216	691,330	1,838,546	4.12

Navarro College District

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Faculty				
Full-Time	112	105	100	98
Part-Time	<u>326</u>	<u>312</u>	<u>309</u>	<u>297</u>
Total	<u><u>438</u></u>	<u><u>417</u></u>	<u><u>409</u></u>	<u><u>395</u></u>
Full-Time	25.6%	25.2%	24.4%	24.8%
Part-Time	<u>74.4%</u>	<u>74.8%</u>	<u>75.6%</u>	<u>75.2%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>
Average Annual Faculty Salary	\$ <u><u>49,393</u></u>	<u><u>45,427</u></u>	<u><u>42,623</u></u>	<u><u>42,027</u></u>
Staff and Administrators				
Full-Time	187	176	164	156
Part-Time	<u>110</u>	<u>42</u>	<u>31</u>	<u>31</u>
Total	<u><u>297</u></u>	<u><u>218</u></u>	<u><u>195</u></u>	<u><u>187</u></u>
Full-Time	63.0%	80.7%	84.1%	83.4%
Part-Time	<u>37.0%</u>	<u>19.3%</u>	<u>15.9%</u>	<u>16.6%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
90	75	NA	80	NA	83
<u>320</u>	<u>213</u>	<u>NA</u>	<u>154</u>	<u>NA</u>	<u>124</u>
<u>410</u>	<u>288</u>	<u>N/A</u>	<u>234</u>	<u>N/A</u>	<u>207</u>
22.0%	26.0%	NA	34.2%	NA	40.1%
<u>78.0%</u>	<u>74.0%</u>	<u>NA</u>	<u>65.8%</u>	<u>NA</u>	<u>59.9%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>N/A</u>	<u>100.0%</u>	<u>N/A</u>	<u>100.0%</u>
<u>41,526</u>	<u>N/A</u>	<u>N/A</u>	<u>38,292</u>	<u>36,443</u>	<u>36,636</u>
148	112	NA	129	NA	122
<u>38</u>	<u>11</u>	<u>NA</u>	<u>11</u>	<u>NA</u>	<u>45</u>
<u>186</u>	<u>123</u>	<u>N/A</u>	<u>140</u>	<u>N/A</u>	<u>167</u>
79.6%	91.1%	NA	92.1%	NA	73.1%
<u>20.4%</u>	<u>8.9%</u>	<u>NA</u>	<u>7.9%</u>	<u>NA</u>	<u>26.9%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>N/A</u>	<u>100.0%</u>	<u>N/A</u>	<u>100.0%</u>

Navarro College District

Enrollment Details Last Six Fiscal Years (Unaudited)

	Fall 2006		Fall 2005	
	Number	Percent	Number	Percent
Student Classification				
00-30 hours	6,593	89.02%	5,204	80.67%
31-60 hours	406	5.48%	764	11.84%
> 60 hours	407	5.50%	483	7.49%
Total	7,406	100.00%	6,451	100.00%
Semester Hour Load				
Less than 3	512	6.91%	27	0.42%
3-5 semester hours	1,451	19.59%	1,214	18.82%
6-8 semester hours	1,267	17.11%	1,131	17.53%
9-11 semester hours	842	11.37%	737	11.42%
12-14 semester hours	2,001	27.02%	2,076	32.18%
15-17 semester hours	1,070	14.45%	980	15.19%
18 & over	263	3.55%	286	4.43%
Total	7,406	100.00%	6,451	100.00%
Tuition Status				
Texas Resident (in-District)	1,729	23.35%	1,348	20.90%
Texas Resident (out-of-District)	5,392	72.81%	4,791	74.27%
Non-Resident Tuition	285	3.85%	312	4.84%
Total	7,406	100.00%	6,451	100.00%

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

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

Navarro College District

Student Profile
Last Six Fiscal Years
(Unaudited)

	Fall 2006		Fall 2005	
	Number	Percent	Number	Percent
Gender				
Female	4,583	61.90%	4,006	62.10%
Male	2,823	38.10%	2,445	37.90%
Total	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>
Ethnic Origin				
White	4,802	64.80%	4,170	64.64%
Hispanic	1,332	18.00%	701	10.87%
African American	956	12.90%	1,295	20.07%
Asian	71	1.00%	48	0.74%
Foreign	183	2.50%	204	3.16%
Native American	50	0.70%	33	0.51%
Other	12	0.20%	-	0.00%
Total	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>
Age				
Under 18	1,854	25.03%	1,029	15.95%
18 - 21	2,984	40.29%	2,939	45.56%
22 - 24	651	8.79%	668	10.35%
25 - 35	1,110	14.99%	1,091	16.91%
36 - 50	702	9.48%	617	9.56%
51 & over	105	1.42%	107	1.66%
Total	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>
Average Age	23		24	

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

Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent	Number	Percent
3,776	62.73%	3,464	61.81%	3,072	60.09%	2,545	57.70%
2,243	37.27%	2,140	38.19%	2,040	39.91%	1,866	42.30%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
3,906	64.89%	3,625	64.69%	3,265	63.87%	2,829	64.14%
612	10.17%	535	9.55%	454	8.88%	343	7.78%
1,195	19.85%	1,074	19.16%	959	18.76%	784	17.77%
42	0.70%	43	0.77%	32	0.63%	26	0.59%
239	3.97%	302	5.39%	388	7.59%	408	9.25%
25	0.42%	25	0.45%	14	0.27%	21	0.48%
-	0.00%	-	0.00%	-	0.00%	-	0.00%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
1,035	17.20%	842	15.02%	695	13.60%	656	14.87%
2,656	44.13%	2,599	46.38%	2,470	48.32%	2,217	50.26%
618	10.27%	558	9.96%	494	9.66%	411	9.32%
1,019	16.93%	955	17.04%	821	16.06%	607	13.76%
577	9.59%	546	9.74%	539	10.54%	447	10.13%
114	1.89%	104	1.86%	93	1.82%	73	1.65%
<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
24		24		24		23	

Navarro College District

Transfers to Senior Institutions -
2004-2005 Graduates as of Fall 2005
(Includes only public senior colleges in Texas)
(Unaudited)

Name	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
Angelo State University	11	0	1	12	1.12%
Lamar University	6	1	0	7	0.65%
Midwestern State University	4	0	0	4	0.37%
Prairie View A&M University	8	2	1	11	1.03%
Sam Houston State University	77	6	1	84	7.85%
Stephen F. Austin State University	53	0	1	54	5.05%
Tarleton State University	49	3	1	53	4.95%
Texas A&M University	151	5	3	159	14.86%
Texas A&M University at Commerce	230	6	3	239	22.34%
Texas A&M University at Corpus Christ	6	1	0	7	0.65%
Texas A&M University at Galveston	3	0	0	3	0.28%
Texas A&M University at Kingsville	2	0	0	2	0.19%
Texas Southern University	9	0	0	9	0.84%
Texas State University	42	1	0	43	4.02%
Texas Tech University	54	0	0	54	5.05%
Texas Woman's University	14	5	0	19	1.78%
The University of Texas - Pan American	2	0	0	2	0.19%
The University of Texas at Arlington	106	1	2	109	10.19%
The University of Texas at Austin	41	1	1	43	4.02%
The University of Texas at Dallas	11	0	0	11	1.03%
The Univeristy of Texas at San Antonio	5	0	0	5	0.47%
The University of Texas at Tyler	39	6	2	47	4.39%
University of Houston	3	0	0	3	0.28%
University of Houston - Downtown	1	0	0	1	0.09%
University of North Texas	84	3	0	87	8.13%
West Texas A&M University	2	0	0	2	0.19%
Totals	<u>1,013</u>	<u>41</u>	<u>16</u>	<u>1,070</u>	<u>100.00%</u>

Source: Texas Higher Education Coordinating Board

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

Navarro College District

Capital Asset Information
Fiscal Years 2002 to 2007
(Unaudited)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Academic buildings	10	10	10	9	9	9
Square footage (in thousands)	228,522	228,522	209,446	199,990	201,632	187,632
Libraries	1	1	1	1	1	1
Square footage (in thousands)	28,000	28,000	34,920	34,920	34,920	43,412
Number of Volumes (in thousands)	53,055	65,000	64,000	63,000	62,000	61,000
Administrative and support buildings	2	2	1	1	1	1
Square footage (in thousands)	90,897	90,897	55,977	55,977	55,686	55,686
Dormitories/Apartments	22	21	20	19	19	18
Square footage (in thousands)	150,362	145,422	139,602	126,674	141,992	128,922
Number of Beds	816	815	783	719	687	623
Dining Facilities	1	1	1	1	1	1
Square footage (in thousands)	22,100	22,100	19,076	19,076	19,400	19,400
Average daily customers	861	861	827	759	725	657
Athletic Facilities	5	5	5	5	5	5
Square footage (in thousands)	66,416	66,416	66,416	66,416	67,944	67,944
Gymnasiums/Weight Room	2	2	2	2	2	2
Tennis Court	3	3	3	3	3	3
Physical Plant Facilities	1	1	1	1	1	1
Square footage (in thousands)	9,492	9,492	9,492	9,492	10,994	10,994
Transportation	34	34	34	31	27	27
Cars	4	4	5	5	3	3
Light Trucks/Vans	27	27	26	23	24	24
Buses	3	3	3	3	0	0

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



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





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

The Board of Trustees
Navarro College District:

We have audited the financial statements of the business-type activities and the discretely presented component unit of Navarro College District (the District) as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Navarro College Foundation, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Navarro College Foundation (the Foundation), was based solely on the report of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (continued)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider Finding 2007-1 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of Navarro College District in a separate letter dated December 6, 2007.

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.

Jayne, Reitzman, Boyd & Threlk, P.C.

December 6, 2007



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

The Board of Trustees
Navarro College District:

Compliance

We have audited the compliance of Navarro College District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Uniform Grant Management Standards* that are applicable to each of its major federal and state programs for the year ended August 31, 2007. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with *OMB Circular A-133* and the *Uniform Grant Management Standards*, and which are described in the accompanying schedule of findings and questioned costs as Finding 2007-2.

Internal Control Over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2007-2 to be a significant deficiency.

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

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

Jaynes, Reitmeier, Boyd & Therrell, P.C.

December 6, 2007

Navarro College District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

(1) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ no
- Significant control deficiencies identified that are not considered to be material weaknesses? _____ 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 deficiencies identified that are not considered to be material weaknesses? x yes _____ none reported

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

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

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant control deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

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

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

Identification of major federal programs:

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

Identification of major state programs:

<u>Name of State Program</u>
Texas Grant I Program
Texas Grant II Program
Texas Workforce Commission - KOYO Steering

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

Navarro College District

Schedule of Findings and Questioned Costs (Continued)

(2) Financial Statement Findings

Finding 2007-1: Controls over Annual Financial Reporting

Recently-issued auditing standards have clarified that the components of internal controls are the same for all entities. There is no exemption or special relief given to a smaller entity because of its size or the challenges present when achieving effective internal control. Certain internal controls that have often been overlooked by small businesses relate to the annual financial reporting process. Annual financial reporting control objectives address the preparation of accurate annual financial statements and related note disclosures in accordance with generally accepted accounting principles. That is to say, the system of internal control over financial reporting does not stop at the entity's general ledger. It includes controls over the actual financial statement preparation, including note disclosures.

We have historically drafted the financial statements and related note disclosures at the District's request. This was done because, due to its limited resources, the District did not possess all the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the District's internal controls. Consequently, the inability of the District to prepare its own financial statements and related notes is considered a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the District needs to ensure that appropriate personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process. Another remedy in this area may be for the District to engage another firm or person to outsource the financial statement preparation portion of the process or review the financial statements drafted by us. Alternatively, management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations.

Navarro College District

Schedule of Findings and Questioned Costs (Continued)

(3) Federal Award Findings and Questioned Costs

Finding 2007-2: Refund of Title IV Funds

CFDA No. 84.007 – Supplemental Education Opportunity Grant Program; CFDA No. 84.032 – Family Educational Loan Program; CFDA No. 84.033 – Work Study Program; CFDA No. 84.063 – Pell Grant Program

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

As we suggested in our previous report dated November 8, 2006, to improve compliance in these areas, we suggest that the Registrar's Office review its standard policies and procedures to ensure proper documentation and accurate posting of changes in class schedules for students. All changes to student schedules should be properly documented in writing and posted to the system daily. Implementation of these policies and procedures should reduce the risk of errors or backlogs in processing at the Registrar's Office, which can directly impact compliance with federal financial aid guidelines.

Navarro College District

Summary Schedule of Prior Audit Findings

August 31, 2007

Finding 2006-2: Student Status Changes

CFDA No. 84.032 – Family Educational Loan Program

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

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

Current Status

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

Corrective action taken: As soon as this issue was discovered, Datatel Technical Support was contacted for a review of the system and processes in place. All systems issues were corrected and processes were updated accordingly. In addition, a system of random selection and "spot checking" was implemented to insure that both the drop process and the automated report were functioning correctly. The NSLDS report submission was also reassigned to the Assistant Registrar's portfolio to insure that its timely and problem-free submission is assured. In June of 2007, the NSLDS report submission was increased to monthly submission in an effort to narrow any "gap" for error.

Finding 2006-3: Refund of Title IV Funds

CFDA No. 84.007 – Supplemental Education Opportunity Grant Program; CFDA No. 84.032 – Family Educational Loan Program; CFDA No. 84.033 – Work Study Program; CFDA No. 84.063 – Pell Grant Program

Navarro College District

Summary Schedule of Prior Audit Findings (continued)

Finding 2006-3: Refund of Title IV Funds (continued)

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

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

Current Status

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

Corrective action taken: A detailed staff training plan was established and initiated with regard to staff at off-campus sites. All new staff hired is required to undergo training at the Registrar's Office in Corsicana. In addition, the Registrar is now providing tailored training at each off-campus site on a quarterly basis. Further actions are now underway as noted in the response to Finding 2007-2.

Navarro College District

Corrective Action Plan

August 31, 2007

Finding 2007-1:

Contact person responsible for correction action: Brenda Duncan, Business Manager

Corrective action planned: Historically, it has been considered a part of the audit for the auditors to prepare schedules, exhibits and footnotes. During the fiscal year ended August 31, 2007, accounting staff prepared a number of the schedules on a preliminary basis for review by the audit firm.

It is planned to continue training accounting personnel to provide for preparation of additional statements and footnote disclosures. However, based on limited staff, it will be necessary to continue obtaining assistance from the audit firm in the foreseeable future.

Management does not feel the degree of risk related to this control deficiency to be of the level of significance to allocate the financial resources that would be required to completely resolve the deficiency.

Anticipated completion date: November 2007

Finding 2007-2:

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

Corrective action planned: A complete review of all add/drop procedures will be conducted. Data obtained in this review will culminate in a comprehensive, written institutional add/drop policy. The Registrar will plan and conduct a review of all procedures as they pertain to off-site campuses, adjusting the workflow and procedures to insure the timely processing of all drops and withdrawals. The Registrar will also work with Campus Deans and Instructional Leadership to insure that a standardized stop/withdrawal procedures is implemented and maintained by all Navarro System personnel.

Anticipated completion date: January 2008