

**Navarro College District
Corsicana, Texas**

**Comprehensive Annual Financial Report
Years Ended August 31, 2017 and 2016**



**Prepared by:
Navarro College District
Finance Department**



INTRODUCTORY SECTION



Navarro College District

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December 14, 2017

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Fairfield, TX 75840

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

The following comprehensive annual financial report of Navarro College (the District) for the fiscal year ending August 31, 2017, 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.

Whitley Penn, LLP, Certified Public Accountants, (“clean”) opinion on the District’s financial statements for the years ended August 31, 2017, and 2016. The report of independent auditors is located at the front of the financial section of this report.

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

PROFILE OF THE DISTRICT

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

The Board has the final authority to determine and interpret the policies that govern the District, limited only by the State legislature, the courts, and the will of the people as expressed in Board of Trustee elections. All Board meetings are in compliance with the Open Meetings Act. Agenda items requiring action are based on a majority vote of a quorum (four members) of the Board of Trustees.

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

LOCAL ECONOMY AND OUTLOOK

The District is well positioned for growth due to the geographical location of the Corsicana Campus between Dallas and Houston on Interstate 45 and between Waco and Tyler on State Highway 31 and with the Ellis County campuses located just south of the Dallas/Fort-Worth metroplex. Student enrollment statewide is experiencing a downward trend among community colleges. According to the Texas Association of Community College (TAAC), the fall 2016 community college state-wide enrollment average increased by 2% while Navarro College showed a 2.2% decrease in student headcount. Navarro College's large accountability peer group (Amarillo College, Blinn College, Central Texas College, Del Mar College, Laredo Community College, North Central College, South Plains College, and Tyler Junior College) experienced fluctuations from a 14.1% increase (Laredo Community College) with an average 3.8% increase overall for the peer group.

Navarro County's (taxing district) economy is based on manufacturing, agriculture, and mineral production. Agricultural income is derived from beef cattle, dairy cattle, horses, cotton, and grain. Minerals produced in the county include oil, gas, sand, and gravel. Growth in the county has been minimal, although the assessed value increased \$186 million (6.1%) increase during the past fiscal year.

Navarro County

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

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

The estimated population of Navarro County in 2016 was 48,523 with the city of Corsicana having an estimated 2016 population of 23,987*. Corsicana is home to more than sixty industries, which includes information technology, manufacturers, processors, and distribution centers. Several Fortune 500 or publicly traded companies call Corsicana their home, including Russell Stover Candies Inc. (candy manufacturing and outlet store), Pactiv (food packaging) and Kohl's (distribution center).

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

**(Retrieved) August 30, 2017, from <http://www.txcip.org/tac/census/profile.php?FIPS=48349>*

Top employers in Navarro County are:

| Company Name | Nature of Business | Number of Employees |
|---|------------------------------|----------------------------|
| Navarro College (includes part-time) | Education | 1,042 |
| Russell Stover Candies | Candy Manufacturing | 850* |
| Corsicana ISD | Education | 811 |
| Watkins Construction | Construction | 500 |
| Navarro Regional Hospital | Hospital | 350 |
| Walmart Super Center | Retail | 350 |
| Guardian Industries, Corp. | Glass Manufacturing | 312 |
| City of Corsicana (includes part-time) | Government/City | 284* |
| Navarro County | Government/County | 284 |
| Corsicana Bedding | Bedding | 257 |
| Oil City Iron Works | Castings | 255 |
| Pactiv | Plastic Plates Manufacturing | 250 |
| Kohl's Distribution Center | Retail Distribution | 200 |
| Tru-Serve Distribution Center | Distribution/Hardware | 180 |
| NALCO Champion | Chemical | 150 |
| Collin Street Bakery | Food | 150* |
| Angels at Home | Home Health Care | 150 |
| Morgan Corp. | Truck Body Fabrication | 149 |
| Community National Bank & Trust | Banking/Financial Services | 114 |
| Heritage Oak/Heritage Oaks West | Nursing Facility | 72 |
| * Employee number may vary significantly in accordance with seasonal employment. (A number of employers include full-time and part-time employees.) | | |

Note. Reprinted from Top Employers – Corsicana Economic Development. (2016). Retrieved August 30, 2017, from <http://www.cityofcorsicana.com/index.aspx?NID=752>

Ellis County

Navarro College has two campuses in Ellis County. One is in Waxahachie and the other in Midlothian.

The North Central Texas Council of Governments projects that Ellis County, a major part of our service area, will continue to grow dramatically. The 2016 population in Ellis County was 168,499, indicating an annual average growth rate of 2.2%. Over 21% of residents between the ages of 25 and 64 hold a bachelor's degree. The median household income in 2016 was \$62,465 and the median house value in Ellis County was \$145,400. The 2016 estimated population of Waxahachie was 33,480 and the 2016 estimated population of Midlothian was 22,620. Ellis County is projected to have a population of 252,768 by 2035, an increase of over 60%. In addition, the county's total employment for year ending 2017 increased 3.1%, and the average annual wage per individual increased 3.3%.

The City of Waxahachie is conveniently located just south of the Metroplex, at the crossroads of I-35 East and U.S. Highway 287. Waxahachie hosts hundreds of festivals and events, large and small, year-round. Large events include the Bob Phillips Texas Country Reporter Festival, Crape Myrtle Festival, and Waxahachie's Cinco De Mayo Festival. Historic events consist of the Gingerbread Trail Tour of Homes, Annual Chautauqua Assembly, WWII Veterans Day Re-enactment and the Christmas Candlelight Tour of Homes. Waxahachie continues to be an attractive area of location for developers as well as individuals. The City of Waxahachie provides a 25% tax exemption, up to \$25,000, to rehabilitate historic properties with approval from the Heritage Preservation Commission. Waxahachie welcomed its newest kid friendly pediatric dental office, iKids Dental, in 2016. Several other new businesses opened in Waxahachie in 2016, including Kirkland's, Dollar General, Sonic Drive In, and El Pollo Loco.

Midlothian is a growing community in northwest Ellis County. The city is centrally located south of both Dallas and Fort Worth. Midlothian is a very active community which holds several civic events and activities throughout the year, including the Fall Festival, Wine and Arts Festival, and Midlothian Marketplace. Due to the city's central location, at the intersection of two major state highways, 287 & 67, transportation accessibility is a unique asset for expanding businesses. Midlothian is also in the vicinity of four interstate highways, (I-20, I-35E, I-35W, & I-45). Rail transportation is a prime strength of the area with both Union Pacific and Burlington Northern railroads serving the area. The major employers in Midlothian are Gerda, Midlothian ISD, Target Corporation, Wal-Mart, Toys"R"Us Warehouse, City of Midlothian, Ash Grove Cement, Holcim US Inc., Methodist Medical Center, Martin Marietta Materials, Ennis Inc., Texas Industries Inc., Martech, Inc., MidTexas International, Navarro College, Dynegy, Niagara LaSalle Corporation, QuikTrip Warehouse, Qualico Steel, Buckley Oil Company, and Chemtrade.

The City of Red Oak is nestled on the northern fringe of Ellis County at the intersection of I-35 East and FM 667. Red Oak hosts numerous events each year, including the North Ellis County Business & Community Expo, Fall Festival, and Christmas in Red Oak Festival & Parade. Just a few minutes south of downtown Dallas, Red Oak residents and visitors have immediate access to world-class arts & culture, entertainment, and sports. Red Oak is the home for an impressive portfolio of industries, including Triumph Aero structures (advanced technology and manufacturing, defense, aviation and aerospace), National Freight Industries (transportation, logistics, distribution, and warehousing), and Knapheide Truck Equipment enter – Southwest (truck bodies).

Ennis is located 25 miles south of downtown Dallas on I-45, with a historic downtown that is experiencing a revitalization to include the construction of a downtown park, reconstruction of water and sewer lines, and development of a new Visitors/Welcome Center while preserving the historic district and landmarks of the city. Ennis continues to be a Main Street City, hosting a farmers market and Lights of Ennis initiative. Tourists are drawn to the 40-mile "Official Bluebonnet Trail of Texas" and to the National Polka Festival held each May. The Texas Motorplex, located on Highway 287, is home of the world speed record of 333.95 miles per hour. The Texas Motorplex hosts the annual NHRA Fall National Auto Racing event and more than 90 other racing events. Sugar Ridge Winery, Galaxy Drive-In Theatre, the Czech Museum, and Ennis All-Star Bowl are other businesses located in the vicinity. Major businesses in Ennis include Advanced Drainage Systems, CVS Pharmacy Distribution Center, Dynegy Power Plant, Ennis Extruded Products, Inc., Leggett & Platt Corp. Inc., PetSmart Distribution Center, Polyguard Products, Inc., Sterilite Corp. of Texas, and TeleTech.

Top employers in Ellis County per the City of Waxahachie:

| Employers with 500 - 1,000 Employees | |
|---|--------------------------------------|
| Company Name | Nature of Business |
| Dart Container A2:B24 | Insulated Foam Cups |
| Owens Corning Fiberglass | Insulation |
| Waxahachie ISD | Public Schools |
| Walgreen Company | Distribution Center |
| Employers with 250 - 499 Employees | |
| Company Name | Nature of Business |
| Baylor Medical Center at Waxahachie | Hospital |
| City of Waxahachie | Local Government |
| Magnablend | Chemical Blending |
| Employers with 100 - 249 Employees | |
| Company Name | Nature of Business |
| A.E.P. Industries | Polyethylene Film |
| CMC Construction Services | Steel Fabricators |
| C. R. Laurence | Commercial Storefronts |
| Cabinet Specialists | Cabinet Manufacturers |
| Cardinal CG | Coated Glass |
| Cardinal IG | Insulated Glass |
| Ellis County | County Government |
| Fortra Fiber Cement (James Hardie) | Cement Fiberboard |
| Georgia Pacific | Paper Packaging Products |
| GMP/GPPAW Rock-Tenn | Cardboard Cartons |
| HEB Grocery Store | Retail |
| International Extrusion | Extrusion - Anodizing |
| Kinro-Composites | Bathtub Fabrication |
| Lifoam Industries, LLC. | Styrofoam Cups/Coolers |
| Southwestern Assemblies of God University | Private Higher Education |
| Employers with 50-99 Employees | |
| Company Name | Nature of Business |
| National Freight, Inc. | Freight Trucking |
| Coal City Cob Company | Hazardous Liquid Bulk Transportation |
| Navarro College-Waxahachie | Public Higher Education |
| Tex Corr | Paper Packaging Products |

Note. Reprinted from Top Employers - Waxahachie Economic Development. (2016). Retrieved September 21, 2017, from <http://www.crossroadsoftx.com/SiteLocationCenter/TopEmployers>

Limestone County

The Mexia Campus is located on North Martin Luther King Boulevard in Mexia, the largest city in Limestone County. Limestone County is approximately 30 miles east of Waco, Texas, and has a total area of 933 square miles with an estimated population in 2016 of 23,468. Groesbeck, located approximately 12 miles north of Mexia, is the Limestone County seat. In 2015, the estimated population who had earned a High School diploma or higher was 80.4% while the average population earning a Bachelor's Degree or higher was 13.8%. The 2016 estimated population for the city of Mexia was 7,445. Limestone County is a historic area which was home to the Tawakoni, or Tehuacana, and Waco Indians. The Civilian Conservation Corps built Fort Parker State Recreation Area during the Great Depression on the site of the Fort Parker Massacre, the most famous Indian attack in Texas. The city of Mexia is an agribusiness and trade center, with a hospital, a newspaper, multiple small businesses, skilled care facilities and nursing homes, the Limestone County Airport, and the Gibbs Memorial Library. The Mexia State Supported Living Center, a 215-acre State-supported living center, which provides campus-based direct services to 310 individuals with intellectual or developmental disabilities, is a major employer in the area with approximately 1,600 employees. Additional employers include Wal-Mart, HEB, other retailers and manufacturing companies, and a mine in the small town of Kosse. The area is predominantly utilized for farming and ranching.

Freestone County

The Fairfield Career and Technical Center is located in Fairfield, Texas, in Freestone County. Freestone County is located 90 miles south of Dallas on I-45 and U.S. Highway 84 and has a total area of 892 square miles, with a 2016 estimated population of 19,624, of which 2,926 reside in the city of Fairfield. Other cities in Freestone County are Teague, Wortham, and Streetman. In 2015, 81.8% of Freestone County residents had earned a High School Diploma or higher, while 12.3% had earned a Bachelor's Degree or higher. In 1969, a power plant was built near Fairfield and a dam was built creating Fairfield Lake as a cooling system for the plant. The Fairfield Lake State Park was opened to the public in 1972. Freestone County is primarily a livestock county with limited row-crop farming and also has significant oil and gas production. Major employers include the Boyd Unit prison, a Texas Correctional facility, Burlington Northern-Santa Fe Railroad, Brookshire Brothers, health care facilities, manufacturers, and respective school districts.

LEON COUNTY

Although there is no Navarro College campus located in Leon County, Navarro College provides service for the citizens and high schools within the county. Leon County is located approximately 60 miles northeast of College Station, Texas, and has a total area of 1,081 square miles with a 2016 estimated population of 17,299. The county seat is Centerville with a 2016 estimated population of 917. Other cities in Leon County include Buffalo, Jewett, Marquez, and Leona. Ft. Boggy State Park is a popular attraction. Nucor Steel is one of the largest employers in the county with an annual revenue between \$500 million and \$1 billion, employing a staff of approximately 250 to 500 employees at any given time. The Champion Ranch, located near Centerville, is a large ranching facility and peach orchard which provides livestock to area rodeo/stock shows and sponsors scholarships for area 4H and FFA students.

COMMUNITY OUTREACH AND PARTNERSHIPS

The District is committed to providing 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 total of \$31.8 million in awards was processed in fiscal year 2017. The District aims to provide high quality educational experiences for all students and to establish a nurturing learning environment to promote responsible citizenship. The District maintains a warm and supportive climate that builds a sense of community among learners. The District pledges to remain accountable as an institution of higher learning and as a custodian of the public trust.

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

- Dual credit for Career and Technical programs are offered in area high schools to prepare students for the workforce in career and technical pathways. These along with technical training and placement for students in industries located across the District's service areas, help to provide educated workers for the labor force. New career and technical programs planned across the District in future years include certificates in Human Resources Management, Hospitality Management, Medical Equipment Repair, and Manufacturing Technology.
- The Navarro College Cook Education Center is equipped with a 60-foot domed planetarium. Visitors experience the thrill of exploration and the power of the human imagination in the areas of earth and space sciences through a variety of annual planetarium programs. In addition to supporting Navarro College as a multifaceted audio-visual theater, the planetarium continues to serve as an educational magnet for the 31 surrounding independent school districts, serving approximately 20,000 students annually. The Planetarium also presents public programs on a daily basis, and multiple Physics and Drama classes are offered there. The Navarro College Foundation is in the process of raising funds to upgrade the sound system in the Planetarium.
- Also located in the Cook Education Center is the Pearce Museum, which houses and interprets two collections of national importance, the Pearce Civil War collection, which contains over 16,000 original documents written by Presidents, officers, common soldiers, civilians, and family members left on the home front. It is a balanced collection, documenting both the Northern and Southern experiences of the Civil War. The Western Art collection is home to more than 240 original works by acknowledged master artists as well as up-and-coming artists in the western art genre. The collection includes works of art from members of the National Academy of Western Art, the Cowboy Artists of America, the Western Artists of America, and the National Sculpture Society among others.

The Civil War and Western Art galleries welcome tour groups, school groups from elementary-age children to college students, and the general public. In addition, the Pearce Museum serves researchers studying the Civil War, western expansion, Texas history and many other topics, from throughout the country. The Museum has a regular program of changing topical exhibits, visiting guest artists and lecturers, and special public events. In the past years, new and changing exhibits have included: *Our Borders & Beyond: Texas in the Civil War*, *Triumph & Tragedy: African American Soldiers of the Civil War*, *The Emerging Woman: Women's Roles in the Civil War*, *America's First Modern War: Technological Advances during the Civil War*, *The Evolution of Slavery and Other Causes of the Civil War*, *The Legend of Hiawatha: 21 Original Works by Ed Copley*, and *Cabinet of Curiosities: Items from the Pearce Restraint Collection*.

- An additional exhibit gallery entitled *Hunter-Gatherers of the Blackland Prairie* was added to the Pearce Museum during FY 2015 and is wonderful attraction for local school districts, out of town visitors, and the local community. It houses the Robert S. Reading collection of over 44,000 catalogued prehistoric Native American tools and other artifacts and interprets these tools and the lifeways of the people who created them through engaging displays. The gallery also houses the three mysterious "Malakoff Heads," three carved stones found in a quarry in Malakoff, Texas, between 1929 and 1939. One head had been donated to Navarro College by Mary Love Sanders; the other two were transferred from the University of Texas in 2015. The Hunter-Gatherers of the Blackland Prairie Gallery is now part of the Pearce Museum.

- The Pearce Museum also maintains Navarro College’s own Archives of historical materials and artifacts related to the College’s 70 year history. The Museum mounts special exhibits with items from this collection and is currently featuring a major exhibit on “Celebrating the Past, Embracing the Future: 70 Years of Bulldog Pride” in honor of Navarro College’s 70th Anniversary.
- In fall 2017, the Pearce Museum launched an outreach Living History program and expanded online resources for classroom teachers. The Pearce Museum and Planetarium also expanded services to Navarro College faculty and students. The Museum staff works with Navarro College faculty to enhance instruction in subject areas including math, science, art, language arts, history, and civics. The Pearce Museum staff works closely with the Fine Arts faculty to produce an annual Student Art Show, and an Honors Program Art Show and a Faculty Art Show. The Planetarium and the Pearce Museum are open to the public Saturday mornings as well as Monday-Friday. The increased hours resulted in increased traffic in the Museum. The Museum continues to be an enormous asset to the college and the community.
- The “Open Door to Success” scholarship program continues to assist in identifying students with the potential to succeed who are not enrolling in college for a variety of reasons. This program provides individualized counseling and financial assistance to qualifying students. In fiscal year 2016/2017 the Navarro College Foundation awarded twenty-five students scholarships totaling \$25,000. Each recipient received \$500 per semester. This is endowed scholarship and will be available to eligible students for years to come.
- In 2016-17 the Navarro College Foundation awarded a total of 352 scholarships across the district totaling \$267,201. The Foundation conducted three major fund raisers in 2017, Dancing for Our Stars in Corsicana, Brilliance in Waxahachie, and Mardi Gras in Mexia which raised over \$340,000 in gross revenue and netting \$245,044.
- The District’s cooperative agreement with John Deere continues to attract students from across Texas and neighboring states who wish to pursue a degree in Agriculture Mechanization Technology. The two-year Associate in Applied Science program is managed by two full-time faculty and prepares students to work on today’s and tomorrow’s John Deere equipment as they learn to cope with technological advancements in the farm equipment industry. Thirty-five students are enrolled in the program in the 2017-2018 academic year.
- Fire Science, Emergency Medical Technician, Paramedic, and Police Academy graduates provide a trained protective services workforce to the cities, municipalities, and agencies within the College’s service areas, and to the entire State of Texas. The Navarro College Police Academy has maintained a 100 percent pass rate of the Texas Commission on Law Enforcement Basic Peace Officer exam since January 2012. In October 2015, at the request of the Johnson County Sheriff’s office, Police Academy instruction began in Johnson County and continues with a full cohort of students. The Navarro College Police Academy currently offers four full time Police Academies and 3 part time Police Academies each year. The full time locations are in Corsicana and Waxahachie. Our part time locations are currently Corsicana, Waxahachie and Johnson County. The City of Fairfield has requested a Police Academy be offered at the Career and Technical Center at Fairfield, and it was implemented in January 2017. The Basic Peace Officer Course offered by the Police Academy is a 680-hour program designed to prepare the student to pass the Peace Officer licensing exam given by Texas Commission on Law Enforcement (TCOLE). The course consists of 33 topics ranging from 4 hours to 68 hours in length are covered during the course. Approximately one-third of the class is devoted to developing physical skills required to become a peace officer. The Police Academy also offers an array of in-service courses to current officers who are required by state mandate to complete 40 hours of training every two years. The Police Academy offers approximately 50 of these courses each year.

- The Navarro College Fire Academy certifies students through Texas Commission for Fire Protection (TCFP) and currently has a 100 percent pass rate. The Navarro College EMT Academy students are certified through the National Registry of Medical Technology (NRMT) and have a 94 percent pass rate. Navarro College Paramedic Academy students are certified through (NRMT) and have a 92.5 percent pass rate. Navarro College provides continuing education courses for Police, EMT and Paramedic courses in Corsicana, Red Oak, Ennis, Hutchins, Waxahachie, Cedar Hill, and Wilmer, Texas.
- Workforce education classes are offered in partnership with local businesses and industries to upgrade the skills of incumbent employees and meet new-hire needs. Navarro College was awarded a Skills for Small Business Grant to train employees of local small businesses and has been awarded a Skills Development Grant to work with the Owens Corning Company to provide continuing education training for Owens Corning employees. Continuing Education programs include Medication Aide, Certified Medical Assistant, Certified Nursing Aide, Pharmacy Technician, Phlebotomist, computer science programs, community enrichment programs, and an English as Second Language initiative. Plans are in place to add an EKG Technician this coming year.
- Navarro College was awarded \$516,867 in Carl Perkins funds for the 2017-2018 academic year. Carl Perkins funds are distributed among Career/Technical Education (CTE) programs across all campus locations. The funds are also used to support Navarro College (CTE) students with programs that assist financially and with career preparation and placement.
- The annual Career Expo occurred on October 18, 2017, from 9:00 a.m. - 1:00 p.m., hosted by the Carl Perkins Career Center Staff. Approximately 500 area high school students attended the Career Expo where they are exposed to all the career and technical programs at Navarro College as well as their industry partners. This event allowed students to visually see a pathway from college to employment.
- The Physical Therapist Assistant Program participated in an on-site visit April 17-20, 2016, as part of its accreditation process through the APTA Commission on Accreditation in Physical Therapy Education (CAPTE). The PTA Program received full accreditation when CAPTE had their annual meeting in November 2016. The first class graduated in December 2016 in Midlothian.
- The Associate Degree Nursing (ADN) Program participated in an on-site visit February 7-9, 2017 from the Accreditation Commission for Education in Nursing (ACEN) as a part of its reaccreditation process. The program received notification on August 14, 2017, that the program was granted continued accreditation for 8 years, the maximum allowed by ACEN. The next scheduled accreditation visit is scheduled for spring 2025.
- In January 2017, the Navarro College Foundation hosted the fourth annual MLK Breakfast to commemorate the life and works of Dr. Martin Luther King. The Navarro College choir provided entertainment. Pastor Roy Elton Brackins of Dallas, Texas was the keynote speaker. The breakfast was well attended by faculty, staff, and the community. Corsicana High School student, Ms. Breana Hall, was presented a \$1,000 scholarship by Board of Trustee member Ms. Faith Hope, for her award winning essay on the life of Dr. King. The choir performance and Pastor Brackins' comments were enjoyed by everyone.

RELEVANT FINANCIAL POLICIES

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

Each year, during the month of July, administrators and the Board of Trustees participate in a budget workshop. It is at this workshop that annual and long-term capital budgets and future construction projects are reviewed and funding sources are identified. This workshop is also used to review revenue and expenditure projections and compare them to enrollment forecasts. Also included are the annual review of outstanding bond issues, their call dates, and possible refunding advantages and disadvantages.

As a recipient of federal, state, and local financial awards, the District also is responsible for providing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic review and evaluation by management, internal audit, and the independent auditors of Navarro College District. As a part of the District's single audit, limited tests are conducted to determine the adequacy of the internal control structure, including the portion related to federal and state financial award programs and to determine if the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2017, provided no instances of material weakness in the internal control structure.

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

State statutes require an annual audit by independent certified public accountants. In FY 2014, following the arrival of a new District President and the College's practice of periodic rotation of auditing firms, the College solicited a Request for Qualifications (RFQ) and after a thorough review of respondents, selected and engaged Whitley Penn, LLP as its independent audit firm for an initial three-year period.

MAJOR INITIATIVES

Academic Program Enhancements:

Navarro College completed the Southern Association of Colleges and Schools Commission On Colleges (SACSCOC) ten-year Reaffirmation process in June, 2017 with the SACSCOC Board of Directors voting to approve the College's reaccreditation at its June meeting. The Compliance Certification report was submitted in March, 2015, and the SACSCOC on-site visit was October, 2015.

The District has been recognized as a leader in higher education. The identification and development of new strategies continue to enhance the academic program offerings as evidenced by the following:

- Navarro College continues to strengthen its partnership with Texas A&M University at Commerce. The partnership has produced 2,488 graduates, with 1,727 Bachelor of Science in Interdisciplinary Studies, 323 Bachelor in Applied Arts and Sciences (BAAS), 139 Bachelor of Science in Criminal Justice, 42 Bachelor of Business Administration (BBA), 19 Bachelor of Science in Instructional Training and Design (TDEV), 17 Bachelor of Science in Liberal Studies (BSLS), 106 Bachelor of General Studies (BGS), 2 in Bachelor of Science in Environmental Science, and 123 Master's degrees conferred through Fall 2017.
- Navarro College has partnered with the Waxahachie Independent School District (WISD) since 2007 to offer an Early College High School called Waxahachie Global High (WGH). WGH is also a T-STEM academy which has won multiple recognitions from the state. A total of 402 students are currently registered with Navarro College through this program for at least one dual credit course, and in spring 2017. Ninety-one (91) students graduated with their Associate Degree in May, 2017.
- The District offers academic dual credit classes at the majority of high schools in Ellis, Navarro, Limestone, Freestone, and Leon counties. In the fall of 2017, thirty-six (36) high schools offered dual credit courses, with approximately 3,200 students participating district-wide.
- Fourteen high schools within the Navarro College District offer dual credit academics, including Corsicana, Blooming Grove, Ennis, Frost, Groesbeck, Avalon, Italy, Life School, Maypearl, Midlothian High School, Midlothian Heritage, Palmer, Red Oak, and Waxahachie High School. These programs accept cohorts of ninth grade students who follow an established degree plan to complete the Associate Degree while in high school. Most cohorts consist of approximately 25 students, with smaller schools averaging approximately 10 students and larger schools averaging approximately 50.
- The Online Instruction program remains a vital part of the College's overall enrollment management strategy, generating nearly one-third of Navarro College's contact hour production. Navarro College has been ranked as one of the best online education and teaching degree programs in 2016-17 by AffordableCollegesOnline.org, and offers approximately a dozen degree and certificate programs through which 80-100% can be attained completely online. Additionally, students are able to complete at least 50% or more of the classes online for every degree and certificate available at Navarro College. In spring 2017, Navarro College began implementing the Canvas Learning Management System, with courses piloted in the summer II and fall semesters. Canvas provides several enhancements to the online learning environment, including a mobile-friendly, cloud-based platform, live web-conferencing capability, a powerful calendar and appointment tool, as well as the ability to easily add video to course content. Canvas will officially replace Blackboard in January 2018. This improvement, along with the addition of UpSwing (an

online tutoring and advising platform) and the MyNC Portal, will greatly enhance accessibility for Navarro College's distance learning students.

- The Navarro College Band has grown from 25 students to 117 members over the past two years under the direction of band directors Joshua Buckrucker and Timothy Nutting, with plans to increase to 150 students next year. As a result of Mr. Buckrucker and Mr. Nutting's excellent recruiting, the band currently has representation from over 58 high schools and there are 50 declared majors in the Music Program. The "Sound of Navarro" marching band was invited to participate as the "featured" band at multiple marching contests throughout Texas in the Fall of 2017 and has accepted two of those invitations. On October 7, the band will be the showcase band at the Midlothian Marching Contest where over 30 high school bands, including an estimated 5,000 students, will compete. The band will also be featured at the Gatesville Marching Festival on October 14th. The band program looks forward to representing Navarro College at these events.
- In the fall of 2016, Navarro College was awarded \$129,237 in the Texas Science, Technology, Engineering, and Math (T-STEM) challenge scholarship program for the 2016-2017 and 2017-2018 appropriation year. Navarro College has awarded \$7500 in scholarships from this fund in fall 2017. In addition, Navarro College anticipates awarding an additional \$7500 in the fall semester to 6 students, and \$21,000 in spring and summer terms. In June 2017, Navarro College was awarded an additional \$21,609 in scholarship allotments for the 2018-2019 academic year. This will allow Navarro College to award 8 additional scholarships in that academic year. In order to qualify for this grant, students must have a 3.0 GPA in all STEM-related courses throughout their high school career, must be enrolled as a full-time student, must have self-declared a major in a STEM field, must have registered for selective service (when applicable), and should agree to work no more than 15 hours a week for a business related to their field of study which has partnered with the college through the T-STEM program. Students are NOT required to be U.S. citizens. Once awarded, students must maintain a 3.0 GPA and must have completed 80% of the coursework attempted in order to receive the grant for additional semesters. Marketing efforts have been coordinated with the Student Recruiting Office and flyers have been distributed district wide. In June 2017, the Texas Higher Education Coordinating Board (THECB) announced the phase-out of the TSTEM Challenge Scholarship Program and offered an optional one-year grant extension, which includes additional funds for the merit scholarships mentioned above for the 2018-2019 FY. The contract amendment with the THECB specifies a last day of expenditure of August 31, 2019. All funds in the Navarro College TSTEM account must be expended by this date or returned to the THECB.
- The Navarro College Career and Technical Center at Fairfield is open Monday through Thursday under the supervision of Ms. Linda Davis as Director. Welding and Industrial Technology classes were offered in the fall 2016 and 2017 semesters. On Tuesdays Ms. Davis spends four hours recruiting and advertising in Fairfield and surrounding communities. Due to her targeted efforts, Certified Nurse Aid and Medication Aide classes began early spring 2016 with the East Texas Medical Center donating hospital equipment and furniture for this program. In the fall of 2017 Certified Medical Assistant classes were added to the health professions programs with fifteen students enrolled in this class. The new Freestone County sheriff reinforced the need and desire for a Police Academy at the Center, so plans to begin a night academy in the spring of 2016 came to fruition. A Farm and Ranch Welding class was offered in the fall and spring semesters of 2016. In addition, the Fairfield Center had an increased presence in local media, as well as billboard advertisement space on the interstate provided by the Fairfield Economic Development (FEDC). FEDC also agreed to underwrite Industrial Technology courses with lower than 10 enrollments in an effort to encourage the program's growth and provide more technical offerings at the center in the fall of 2016. Since the inception of the center, FEDC has provided scholarships for tuition assistance up to fifty percent each semester to students in qualifying programs.

- The Midlothian Higher Education Center, located on the District's Midlothian campus, continues a partnership with Tarleton State University and Texas A&M University at Commerce to offer eight bachelor degrees in the following areas: Agribusiness, Business Administration, General Business, Psychology, Criminal Justice Administration, Manufacturing and Industrial Management, and Interdisciplinary Studies (elementary education).
- Providing good customer service and quality resources contribute to a positive environment for students and enhances the academic programs. Efforts in this regard include:
 - Providing wireless internet service on all campuses, with the necessary firewall infrastructure to protect the integrity of the data.
 - Continuing to upgrade safety measures, including placing defibrillators on all campuses; adding wireless internet-based security cameras in the dining hall, library, Special Event Center (SEC), residence life areas, and the Midlothian campus; and adding panic buttons in each of our college stores and the cashiering office on each campus. Table top exercises on weather related emergencies were held on the Corsicana campus with representatives from other campuses in attendance. Emergency lockdown, evacuation, and shelter drills were held at campus locations to prepare the campus community in proper response during an emergency.
 - The District engaged the services of CampusWorks (consultant firm) to assess all four components of the technological infrastructure (instructional, information security, administrative, physical infrastructure). The District has implemented upgrades in many areas of the technological infrastructure in conjunction with this assessment. This contract ended August 30, 2017.
- As part of the reaccreditation process, the District developed a Quality Enhancement Plan (QEP), Together Everyone Achieves Math Mastery (TEA(M)²). The focus of the QEP program is to increase student completion in developmental and credit-bearing mathematics courses necessary to meet degree requirements. Since SACSCOC approval in October 2015, Navarro College has implemented strategies including Tutorial Services, Academic Support Services, Assessment, Professional Development, and Engagement & Empowerment. The Year 2 Assessment Report, which tracks the goals and objectives used to measure success of the plan, has been completed and will be used as a tool to make improvements moving forward.
- The District provides several initiatives devoted to serving and supporting the academic needs of the students enrolled within the District. These initiatives include such programs as online and face-to-face tutoring, academic advising, university-transfer assistance, faculty-centered student advising, personal and career counseling, TRIO Student Support Services, and Carl Perkins Career services. Testing services are provided not only for placement, but for diagnostics, educational progress and completion, and university transfer support. In addition, Disability Services provides accommodations to enhance student success in the classroom and beyond.
- The Student Life department has several initiatives designed to help stimulate student leadership and development. These include an active Student Government Association on each of the Corsicana, Midlothian, and Waxahachie Campuses, a wide variety of student clubs, honor societies, and other organizations, as well as a busy programming schedule of student activities provided and designed around the needs of both on-campus resident and commuter students. In addition, Intramurals provide an outlet for students who may not be in athletics but who may have interest in athletic competition for recreational purposes.

Athletic Program Achievements:

Navarro College offers a large and competitive intercollegiate athletic program that includes basketball, baseball, soccer, softball, football, cheerleading and volleyball.

- The basketball team finished the 2016-17 year with a record of 12-18 and were a Region XIV Tournament Qualifier. Four student-athletes transferred to university basketball programs.
- The baseball team had a record of 32-25-1 for the 2017 season. They were Region XIV Zone Tournament Finalist. A total of 9 student-athletes were named to the all-conference team, and 9 transferred to university programs.
- The soccer team finished 13-5-1 and were Region XIV District Runners-Up. Seven student-athletes were named All-Region and two All-American. Five players transferred to university programs.
- The softball team finished 27-27 for the 2017 season. One player earned All-Region honors. Three players transferred to university programs.
- The football team finished with a 6-3 record for the 2016 season. Six players transferred to university programs.
- The cheerleaders finished second in the 2017 NCA National Championship. They have brought home a NCA National Championship in 12 of the last 16 years and have also won a total of four Grand National Championships. Eight cheerleaders went on to university programs.
- The volleyball team finished the 2016 season with a 6-31 record. One student-athlete was named to the All-Region team. One player transferred to a university program.
- Academics are stressed by the Navarro College administration and coaching staff. Success is evidenced by having 15 athletes named to the 2016-2017 Region XIV All-Academic Team and 15 players named as NJCAA Academic All-Americans. The Baseball (3.09), Softball (3.15), and Soccer (3.07) teams earned recognition as NJCAA Academic Teams of the Year.

Construction and Expansion Projects:

In August 2017, the College purchased 5.711 acres of land for \$300,000. The property consist of one residential dwelling and is located on the east side of the campus adjacent to the Cook Education property.

During the summer of 2017 a number of improvements were completed at the Corsicana Campus. These included the following:

- Purchased and erected new radio tower for the Navarro College Police Department
- Built and installed new in zone nets for soccer field
- Removed and replaced new carpet in Estes, McCormick, and Hooser dormitories and repainted interior
- Installed new windows in Burkhart and Carmody dormitories.
- Top dressed band field with 120 yds. of sandy loam
- Improvements to the Albritton Administration Building included sand blasting and painting of exterior doors, repaired and replacement of stone on portico
- Worked with VLK architectures to develop construction drawing for renovation of Albritton Building based on the engineering study that was completed by JQ Engineering 2016.

- Completed the District wide Facilities Master Plan with Freese and Nichols which was initiated in 2015.

In 2017, a number of improvements were completed at the Waxahachie Campus. These included the following:

- Completely repainted the exterior of building A.
- Remodeled, repainted, and upgraded cosmetology facilities

In 2017, additional repairs and improvements were completed at the Fairfield Career and Technical Center to include:

- The addition of a new roof on building E
- The renovation of building A to create a new classroom
- The conversion of the conference room to a classroom A
- Repainted halls in building A.

On the Mexia Campus a number of improvements were made which included:

- Construction and installation of windows in the business office and bookstore
- Repainted hallways in center building

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Navarro College for its comprehensive annual financial report for the fiscal year ended August 31, 2016. This was the sixteenth consecutive year (2001 through 2016) that the College has achieved this prestigious award. To be awarded a Certificate of Achievement, a government entity 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 the report 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 Aaron York-Langston, CPA, Comptroller, Kathleen Armstrong, CPA, Staff Accountant, and Janet Daugherty, Budget Officer. In addition, various members of the President's Cabinet provided information for inclusion in the transmittal letter, that added value to the overall comprehensiveness of the report. Appreciation is also expressed to the accounting firm of Whitley Penn, LLP for their assistance in the timely completion of the audit. Due credit should also be given to the Board of Trustees and the District President for their interest in planning and conducting the operations of the District in a professional manner.

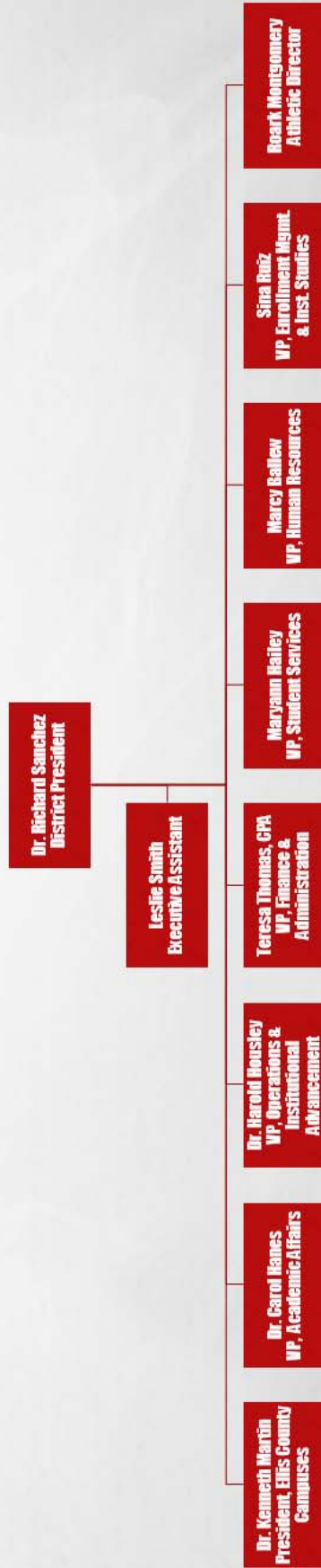
Respectfully submitted,



Teresa Thomas, CPA, RTSBA
Vice President for Finance and Administration

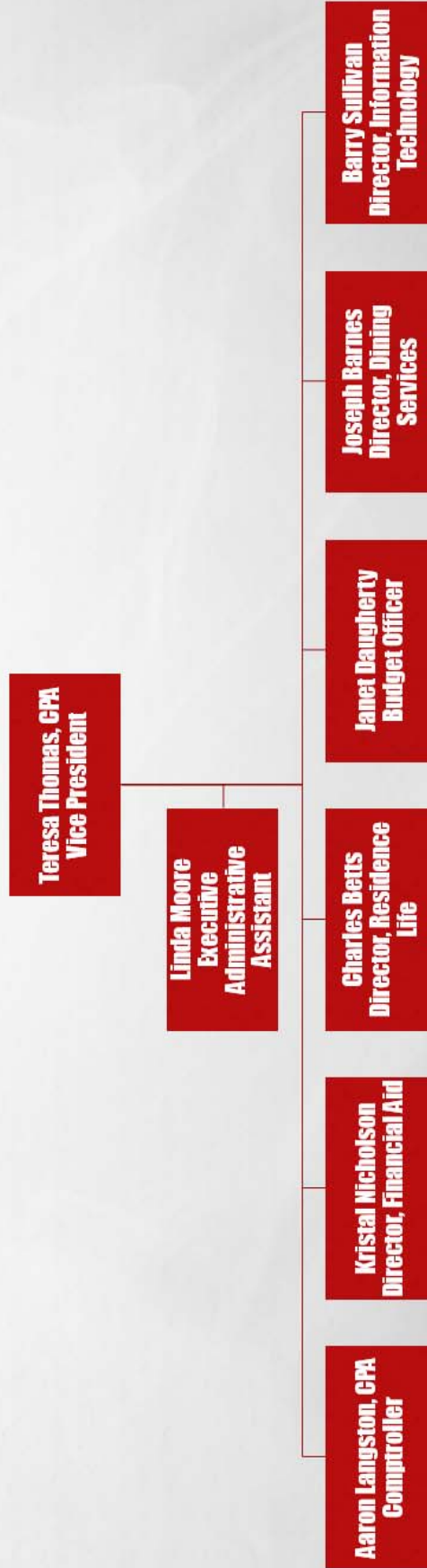
NAVARRO COLLEGE DISTRICT
Organization Chart

DISTRICT ADMINISTRATION



NAVARRO COLLEGE DISTRICT
Organization Chart

FINANCE AND ADMINISTRATION



Navarro College District
Principal Officials
Year Ended August 31, 2017

Board of Trustees

Officers

| | |
|-------------------|---------------------|
| Lloyd D. Huffman | Chairman |
| Phil Judson | Vice-Chairman |
| Richard L. Aldama | Secretary/Treasurer |

| Members | Term Expires |
|-------------------|----------------------------|
| Richard L. Aldama | Corsicana, Texas 2021 |
| A. L. Atkeisson | Kerens, Texas 2021 |
| Faith D. Holt | Corsicana, Texas 2019 |
| Lloyd D. Huffman | Corsicana, Texas 2017 |
| Phil Judson | Corsicana, Texas 2017 |
| Billy Todd McGraw | Blooming Grove, Texas 2019 |
| Loran Seely | Corsicana, Texas 2019 |

Executive Officers

| | |
|---------------------------|---|
| Richard M. Sanchez, Ph.D. | District President |
| Kenneth Martin, Ed.D. | President, Ellis County Campuses |
| Carol Hanes, Ed.D. | Vice President, Academic Affairs |
| Harold Housley, Ph.D. | Vice President, Institutional Advancement and Operations |
| Sina Ruiz | Vice President, Enrollment Management |
| Maryann Hailey | Vice President, Student Services |
| Teresa Thomas, CPA | Vice President, Finance and Administration |
| Marcy Ballew | Vice President, Human Resources |
| Roark Montgomery | Director of Athletics |

Business Officers

| | |
|--------------------------|--|
| Teresa Thomas, CPA | Vice President, Finance and Administration |
| Aaron York Langston, CPA | Comptroller |

Navarro College District

Board of Trustees



Sitting: Phil Judson, Lloyd D. Huffman, Faith D. Holt, Richard L. Aldama
Standing: Loran Seely, Billy Todd McGraw, A.L. Atkeisson

District President



Richard M. Sanchez, Ph.D.



Government Finance Officers Association

**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, 2016

Executive Director/CEO

Financial Section



REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Navarro College District
Corsicana, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Navarro College District (the “District”) as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of Navarro College Foundation, Inc. (the “Foundation”) as of and for the years ended August 31, 2017 and 2016. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit 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 of Navarro College District as of August 31, 2017 and 2016, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 and the pension information on pages 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with the sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Schedules A through D as required by the Texas Higher Education Coordinating Board's (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of State Awards as required by the State of Texas Single Audit Circular contained in the Governor's Office of Budget and Planning *Uniform Grant Management Standards*, and other information such as the introductory and statistical sections are also presented for additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules A through D, the schedule of expenditures of federal awards, and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules

A through D, schedule of expenditures of federal awards, and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of the District's internal control over financial reporting and on our tests on its compliance with certain provision 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 *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
December 14, 2017



NAVARRO COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Navarro College District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v to xviii of this report.

Financial Highlights

- Reduced total bonded debt by \$2,626,316.
- Total net position of the District reflected an increase of \$2,730,653 to a total of \$47,691,495 at August 31, 2017.

Overview of the Financial Statements and Financial Analysis

The District is proud to present its financial statements for the fiscal years ended August 31, 2017 and 2016. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. As demonstrated by the statements and schedules included in the financial section of this report, the District continues meeting its responsibility for sound financial management.

Statements of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year. The Statement of Net Position is a point-of-time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position. The difference between current and non-current 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 Position in the balance sheet format. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They also are able to determine how much the District owes vendors and lending institutions.

NAVARRO COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Statements of Net Position

| | August 31, | | | Amount of Change 2016 to 2017 | Percentage of Change 2016 to 2017 |
|---|-----------------------|-----------------------|----------------------|-------------------------------------|---|
| | 2017 | 2016 | 2015 | | |
| Assets | | | | | |
| Current assets | \$ 37,879,157 | \$ 36,411,751 | \$ 32,955,782 | \$ 1,467,406 | 4.03% |
| Capital assets | 62,838,348 | 64,270,585 | 66,246,999 | (1,432,237) | (2.23%) |
| Total assets | \$ 100,717,505 | \$ 100,682,336 | \$ 99,202,781 | \$ 35,169 | 0.03% |
| Total deferred outflows of resources | | | | | |
| | \$ 3,476,029 | \$ 3,985,872 | \$ 2,201,638 | \$ (509,843) | (12.79%) |
| Current liabilities | \$ 21,162,072 | \$ 22,354,358 | \$ 18,371,990 | \$ (1,192,286) | (5.33%) |
| Noncurrent liabilities | 33,113,874 | 34,611,649 | 36,355,362 | (1,497,775) | (4.33%) |
| Total liabilities | \$ 54,275,946 | \$ 56,966,007 | \$ 54,727,352 | \$ (2,690,061) | (4.72%) |
| Total deferred inflows of resources | | | | | |
| | \$ 2,226,093 | \$ 2,741,359 | \$ 2,052,161 | \$ (515,266) | (18.80%) |
| Net position | | | | | |
| Net investment in | | | | | |
| capital assets | \$ 39,660,444 | \$ 38,280,836 | \$ 37,553,998 | \$ 1,379,608 | 3.60% |
| Restricted - expendable | 2,132,341 | 2,295,108 | 2,447,086 | (162,767) | (7.09%) |
| Unrestricted | 5,898,710 | 4,384,898 | 4,623,822 | 1,513,812 | 34.52% |
| Total net position | \$ 47,691,495 | \$ 44,960,842 | \$ 44,624,906 | \$ 2,730,653 | 6.07% |

Net position is divided into three major categories. The first category, net investment in capital assets, provides the District’s equity in property, plant, and equipment owned by the District. The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position are funds required to be retained in perpetuity. Expendable restricted net position is available for expenditure by the District but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the District for any lawful purpose of the District. None of the net position is restricted by enabling legislation.

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

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis from 2016 to 2017

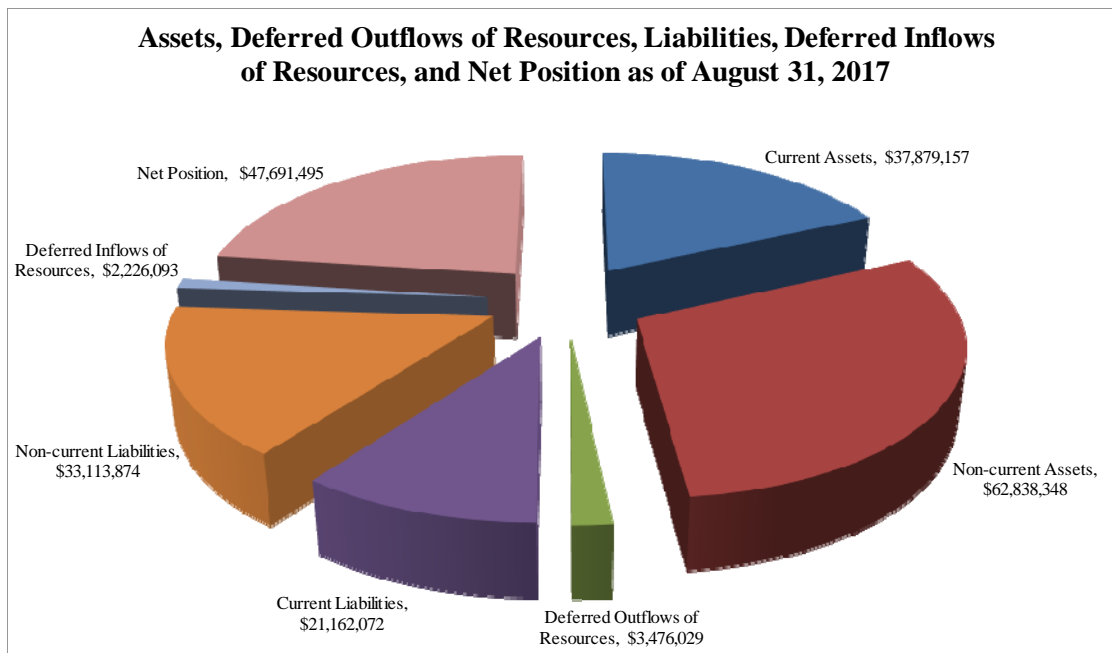
Current assets increased by \$1,467,406 or 4.03%, due to increases of \$88,811 in cash and cash equivalents; \$487,062 in accounts receivable and \$895,610 in inventories; decrease of (\$4,077) in prepaid expenses. This increase in current assets is due to the inventory adjustment at year end increasing the balance of the bookstore inventory due to less sales in the bookstore for the Fall semester.

Capital assets show a decrease of (\$1,432,237) or (2.23%) after depreciation. This decrease in capital assets is a result of the District's annual increase of accumulated depreciation of (\$2,081,025) being more than capital assets additions for the year of \$648,788.

Total liabilities decreased to \$54,275,946 from \$56,966,007, for a decrease of (\$2,690,061) or (4.72%). Increases were noted in unearned revenue of \$418,382; \$181,931 in net pension liability; \$90,251 in compensated absences; \$28,061 in funds held for others. The decreases in loans of (\$75,000), capital leases of (\$200,000) and bonds payable of (\$2,626,316) are due to scheduled debt service payments and amortization of bond premiums. The increases are offset by decreases of (\$442,767) in accounts payable; (\$36,141) in claims and judgments; and (\$28,463) in accrued liabilities.

Deferred outflows decreased by (\$509,843) or (12.79%) and deferred inflows decreased (\$515,266) or (18.80%) as a result of GASB 68 adjustments to remove the accumulation of deferred outflows and inflows related to net pension liability.

In summary, the total net position of the District reflected an increase of \$2,730,653 to a total of \$47,691,495 at August 31, 2017. This change can be attributed to an increase of \$1,379,608 in net investment in capital assets and an increase in unrestricted net position of \$1,513,812 offset by a decrease of (\$162,767) in expendable restricted net position.



NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis from 2015 to 2016

Current assets increased by \$3,455,969 or 10.49%, due to increases of \$7,736,120 in cash and cash equivalents; \$16,185 in inventories; decreases of (\$529,208) in prepaid expenses; and a decrease of (\$3,767,128) in accounts receivable. The increase in cash is largely due to the District not increasing infrastructure (purchasing or building) during fiscal year 2016. The decrease in accounts receivable can be attributed to the reduction in enrollment of approximately five percent.

Capital assets show a decrease of (\$1,976,414) or (2.98%) after depreciation.

Total liabilities increased to \$56,966,007 from \$54,727,352, for an increase of \$2,238,655 or 4.09%. Increases were noted in unearned revenue of \$4,808,292; claims and judgements of \$10,024; and \$1,219,320 in net pension liability. The majority of the increase in unearned revenue resulted from PELL grant funds related to the next fiscal year being drawn down and received prior to year-end. The decreases in loans of (\$75,000), capital leases of (\$190,000) and bonds payable of (\$2,526,317) are due to scheduled debt service payments and amortization of bond premiums. The increases are offset by decreases of (\$949,230) in accounts payable; (\$22,379) in compensated absences; (\$26,017) in accrued liabilities; and (\$10,038) in funds held for others.

GASB Statements No. 68 and 71 were implemented during fiscal year 2015 which resulted in an increase to deferred outflows of resources related to pensions of \$1,861,321 or 155.61%. Additionally, deferred inflows of resources related to pensions increased by \$689,198 or 33.58%.

In summary, the total net position of the District reflected an increase of \$335,936 to a total of \$44,960,842 at August 31, 2016. This change can be attributed to an increase of \$726,838 in net investment in capital assets, offset by a decrease of (\$151,978) in expendable restricted net position and a decrease of (\$238,924) in unrestricted net position.

Statements of Revenues, Expenses, and Changes in Net Position

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

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

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statements of Revenues, Expenses, and Changes in Net Position

| | 2017 | 2016 | 2015 | Amount of Change 2016 to 2017 | Percentage of Change 2016 to 2017 |
|--|----------------------|----------------------|----------------------|--|--|
| Operating revenues | | | | | |
| Tuition and fees | \$ 16,982,906 | \$ 16,205,416 | \$ 17,535,426 | \$ 777,490 | 4.80% |
| Sales and services | 7,517,038 | 7,496,077 | 7,661,698 | 20,961 | 0.28% |
| Other operating revenues | 217,531 | 196,380 | 243,507 | 21,151 | 10.77% |
| Total operating revenues | <u>24,717,475</u> | <u>23,897,873</u> | <u>25,440,631</u> | <u>819,602</u> | 3.43% |
| Nonoperating revenues | | | | | |
| State appropriations | 17,690,587 | 17,758,716 | 18,332,879 | (68,129) | (0.38%) |
| Maintenance ad valorem property taxes | 3,645,253 | 3,553,400 | 3,533,309 | 91,853 | 2.58% |
| Grants and contracts | 16,758,002 | 18,982,946 | 25,113,360 | (2,224,944) | (11.72%) |
| Gifts | 903,810 | 856,846 | 867,114 | 46,964 | 5.48% |
| Investment income | 102,303 | 93,031 | 93,269 | 9,272 | 9.97% |
| Other non-operating revenues | 157,019 | 216,309 | 813,949 | (59,290) | (27.41%) |
| Total nonoperating revenues | <u>39,256,974</u> | <u>41,461,248</u> | <u>48,753,880</u> | <u>(2,204,274)</u> | (5.32%) |
| Total revenues | <u>63,974,449</u> | <u>65,359,121</u> | <u>74,194,511</u> | <u>(1,384,672)</u> | (2.12%) |
| Operating expenses | | | | | |
| Instruction | 19,545,759 | 20,148,443 | 21,368,604 | (602,684) | (2.99%) |
| Public service | 331,537 | 289,941 | 279,188 | 41,596 | 14.35% |
| Academic support | 3,123,899 | 3,588,737 | 3,475,922 | (464,838) | (12.95%) |
| Student services | 4,540,335 | 4,550,759 | 4,245,023 | (10,424) | (0.23%) |
| Institutional support | 7,899,625 | 8,221,330 | 7,101,168 | (321,705) | (3.91%) |
| Operation and maintenance of plant | 4,013,560 | 3,774,689 | 3,840,350 | 238,871 | 6.33% |
| Scholarships and fellowships | 9,879,276 | 11,467,584 | 15,670,742 | (1,588,308) | (13.85%) |
| Auxiliary enterprises | 8,904,115 | 9,833,242 | 10,609,202 | (929,127) | (9.45%) |
| Depreciation expense | 2,081,025 | 2,120,128 | 2,142,219 | (39,103) | (1.84%) |
| Total operating expenses | <u>60,319,131</u> | <u>63,994,853</u> | <u>68,732,418</u> | <u>(3,675,722)</u> | (5.74%) |
| Nonoperating expenses | | | | | |
| Interest on capital related debt | 924,665 | 1,028,332 | 1,074,176 | (103,667) | (10.08%) |
| Total nonoperating expenses | <u>924,665</u> | <u>1,028,332</u> | <u>1,074,176</u> | <u>(103,667)</u> | (10.08%) |
| Total expenses | <u>61,243,796</u> | <u>65,023,185</u> | <u>69,806,594</u> | <u>(3,779,389)</u> | (5.81%) |
| Change in net position | 2,730,653 | 335,936 | 4,387,917 | 2,394,717 | 712.85% |
| Beginning net position | 44,960,842 | 44,624,906 | 47,837,791 | 335,936 | 0.75% |
| Prior period adjustment, GASB 68/71 | - | - | (7,600,802) | - | (100.00%) |
| Ending net position | <u>\$ 47,691,495</u> | <u>\$ 44,960,842</u> | <u>\$ 44,624,906</u> | <u>\$ 2,730,653</u> | 6.07% |

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis from 2016 to 2017

The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year, with a change of \$2,730,653 in net position at year-end. Operating revenues increased \$819,602 or 3.43%.

Non-operating revenues decreased by (\$2,204,274) or (5.32%). State allocations reported a decrease of (\$68,129). Grants and contracts decreased (\$2,224,944). Other non-operating revenues decreased by (\$59,290). These decreases are offset slightly by increases of \$91,853 in ad valorem taxes, \$9,272 in investment income, and \$46,964 in gifts. The decline in non-operating revenues is a result of the decrease in contracts and grants which include financial aid programs. These programs were utilized less due to the decrease in student enrollment.

Overall operating expenses decreased by (\$3,675,722) or (5.74%). This decrease is due largely to changes in the following categories: (\$602,684) in instruction; (\$464,838) in academic support; (\$321,705) in institutional support; (\$1,588,308) in scholarships and fellowships; (\$929,127) in auxiliary enterprises; and (\$39,103) in depreciation. These decreases are offset by the following increases: public service \$41,596; and operation and maintenance of plant \$238,871.

Non-operating expenses of interest on capital related debt decreased by (\$103,667) due to regular payment of principal and interest.

In summary, operational activities provided the District with an increase of \$2,730,653 which increased net position to a total of \$47,691,495 at August 31, 2017.

Financial Analysis from 2015 to 2016

The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year, with a change of \$335,936 in net position at year-end. Operating revenues decreased (\$1,542,758) or 6.06%. This change can be attributed a decline in student enrollment of approximately five percent.

Non-operating revenues decreased by (\$7,292,632) or (14.96%). State allocations reported a decrease of (\$574,163). Grants and contracts decreased (\$6,135,803). Other non-operating revenues decreased by (\$592,251). Gifts decreased (\$10,268) and investment income decreased (\$238). These decreases are offset slightly by an increase of \$20,091 in ad valorem taxes. The decline in non-operating revenues is a result of the decrease in contracts and grants which include financial aid programs. These programs were utilized less due to the decrease in student enrollment.

Overall operating expenses decreased by (\$4,737,565) or (6.89%). This decrease is due largely to changes in the following categories: (\$1,220,161) in instruction; (\$65,661) in operation and management of plant; (\$4,203,158) in scholarships and fellowships; (\$775,960) in auxiliary enterprises; and (\$22,091) in depreciation. These decreases are offset by the following increases: public service \$10,753; academic support \$112,815; student services \$305,736; and institutional support \$1,120,162.

Non-operating expenses of interest on capital related debt decreased by (\$45,844) due to regular amortization on principal and interest.

In summary, operational activities provided the District with an increase of \$335,936 which increased net position to a total of \$44,960,842 at August 31, 2016.

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statements of Cash Flows

The final statement presented by the District is the Statement of Cash Flows. GASB Nos. 34 and 35 added this additional statement to the annual financial report. The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. The first section of the Statement of Cash Flows reflects operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects cash flows from capital and related financing activities. This section captures the cash used to purchase capital assets and make debt payments, as well as receipt of bond proceeds. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities.

Navarro College District Statements of Cash Flows

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>Amount of Change 2016 to 2017</u> | <u>Percentage of Change 2016 to 2017</u> |
|--|----------------------|----------------------|----------------------|--|--|
| Cash provided by (used for): | | | | | |
| Operating activities | \$ (31,368,823) | \$ (32,718,076) | \$ (40,027,415) | \$ 1,349,253 | (4.12%) |
| Noncapital financing activities | 35,776,958 | 44,155,402 | 46,466,287 | (8,378,444) | (18.97%) |
| Capital and related financing activities | (4,407,962) | (3,798,503) | (4,724,126) | (609,459) | 16.04% |
| Investing activities | 88,638 | 97,297 | 92,631 | (8,659) | (8.90%) |
| Net change in cash | 88,811 | 7,736,120 | 1,807,377 | (7,647,309) | (98.85%) |
| Cash, beginning of year | 23,164,439 | 15,428,319 | 13,620,942 | 7,736,120 | 50.14% |
| Cash, end of year | <u>\$ 23,253,250</u> | <u>\$ 23,164,439</u> | <u>\$ 15,428,319</u> | <u>\$ 88,811</u> | 0.38% |

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis from 2016 to 2017

An analysis of cash flows shows an overall increase of \$88,811 or .38% for 2017. The District ended fiscal year 2017 with \$23,253,250 in cash, compared to \$23,164,439 at the end of fiscal year 2016. The small increase in combined cash flow resulted from the District making a concerted effort to control expenses due to the decline in enrollment.

Financial Analysis from 2015 to 2016

An analysis of cash flows shows an overall increase of \$7,736,120 or 50.14% for 2016. The District ended fiscal year 2016 with \$23,164,439 in cash, compared to \$15,428,319 at the end of fiscal year 2015. The increased combined cash flow occurred throughout the year as a result of the District making a decision not to increase infrastructure (purchase or build new buildings) during fiscal year 2016.

Debt Administration, Capital Assets, Cash, & Risk Management

Debt Administration

As of August 31, 2017, the District had \$20,063,427 of revenue bonds principal outstanding.

As of August 31, 2017, the forgivable loan balance from the Midlothian Economic Development Center (MEDC) was \$1,050,000.

Capital Assets

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

Risk Management

The Campus Safety and Preparation Committee met during fiscal year 2017. The following is a list of actions taken by the Committee during fiscal year 2017:

- Updated the Navarro College Emergency Operations Plan
- Provided online risk management training for student organizations and their sponsors
- Provided campus safety education online and in person on a variety of safety topics, including sexual assault prevention
- Updated Building Coordinator list and provided training to building coordinators regarding the Standard Response Protocol followed by Navarro College
- Conducted evacuation, shelter, and lockdown/lockout drills on all campuses for day and evening classes
- Provided the "I Love You Guys" Foundation's Standard Response Protocol (SRP) video available on college website for faculty, staff, and students
- Conducted safety audits of selected buildings on the Corsicana Campus in conjunction with Texas Association of School Boards Risk Management personnel
- Staff participated in Risk Management webinars related to safety.

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Outlook

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

Request for Information

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

A handwritten signature in blue ink that reads "Aaron York Langston". The signature is written in a cursive style.

Aaron York Langston, CPA
Comptroller



BASIC FINANCIAL STATEMENTS



Navarro College District

Statements of Net Position (Exhibit 1)

August 31, 2017 and 2016

| | Primary Government | | Component Unit | |
|--|--------------------------|----------------------|----------------------------------|----------------------|
| | Navarro College District | | Navarro College Foundation, Inc. | |
| | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 23,253,250 | \$ 23,164,439 | \$ - | \$ 11,389 |
| Restricted cash and cash equivalents | - | - | 66,891 | 20,394 |
| Accounts receivable, net | 10,273,272 | 9,786,210 | 28,087 | 4,358 |
| Prepaid expenses | 454,148 | 458,225 | 3,719 | 3,974 |
| Investments | - | - | 260,416 | 208,258 |
| Inventories | 3,898,487 | 3,002,877 | - | - |
| Total current assets | <u>37,879,157</u> | <u>36,411,751</u> | <u>359,113</u> | <u>248,373</u> |
| Noncurrent assets: | | | | |
| Long-term investments | - | - | 4,158,327 | 3,984,678 |
| Capital assets, net | 62,838,348 | 64,270,585 | 8,531,588 | 8,527,088 |
| Total noncurrent assets | <u>62,838,348</u> | <u>64,270,585</u> | <u>12,689,915</u> | <u>12,511,766</u> |
| Total assets | <u>100,717,505</u> | <u>100,682,336</u> | <u>13,049,028</u> | <u>12,760,139</u> |
| Deferred outflows of resources | | | | |
| Deferred charge on refunding | 851,285 | 928,371 | - | - |
| Deferred outflows related to pensions | 2,624,744 | 3,057,501 | - | - |
| Total deferred outflows of resources | <u>3,476,029</u> | <u>3,985,872</u> | <u>-</u> | <u>-</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,409,027 | 1,851,792 | 32,247 | 24,150 |
| Accrued liabilities | 207,972 | 236,435 | - | - |
| Funds held for others | 540,310 | 512,250 | - | - |
| Unearned revenue | 17,205,402 | 16,787,020 | - | - |
| Accrued compensated absences - current portion | 85,370 | 183,835 | - | - |
| Accrued claims and judgments - current portion | 13,991 | 23,026 | - | - |
| Capital lease - current portion | 205,000 | 200,000 | - | - |
| Bonds payable - current portion | 1,495,000 | 2,560,000 | - | - |
| Total current liabilities | <u>21,162,072</u> | <u>22,354,358</u> | <u>32,247</u> | <u>24,150</u> |
| Noncurrent liabilities: | | | | |
| Accrued compensated absences | 2,488,686 | 2,299,970 | - | - |
| Accrued claims and judgments | 41,972 | 69,078 | - | - |
| Loan payable | 1,050,000 | 1,125,000 | - | - |
| Capital lease | 2,855,000 | 3,060,000 | - | - |
| Net pension liability | 8,109,789 | 7,927,858 | - | - |
| Bonds payable | 18,568,427 | 20,129,743 | - | - |
| Total noncurrent liabilities | <u>33,113,874</u> | <u>34,611,649</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>54,275,946</u> | <u>56,966,007</u> | <u>32,247</u> | <u>24,150</u> |
| Deferred inflows of resources | | | | |
| Deferred inflows related to pensions | 2,226,093 | 2,741,359 | - | - |
| Total deferred inflows of resources | <u>2,226,093</u> | <u>2,741,359</u> | <u>-</u> | <u>-</u> |
| Net position | | | | |
| Net investment in capital assets | 39,660,444 | 38,280,836 | 8,531,588 | 8,527,088 |
| Restricted for: | | | | |
| Nonexpendable: | | | | |
| Scholarships and fellowships | - | - | 146,600 | 146,600 |
| Pearce Museum | - | - | 1,322,296 | 1,322,296 |
| Expendable: | | | | |
| Scholarships and fellowships | 1,692,917 | 1,880,472 | 2,784,409 | 2,540,339 |
| Debt service | 439,424 | 414,636 | - | - |
| Unrestricted | 5,898,710 | 4,384,898 | 231,888 | 199,666 |
| Total net position | <u>\$ 47,691,495</u> | <u>\$ 44,960,842</u> | <u>\$ 13,016,781</u> | <u>\$ 12,735,989</u> |

See accompanying notes to the financial statements.

Navarro College District

Statements of Revenues, Expenses, and Changes in Net Position (Exhibit 2)

Years Ended August 31, 2017 and 2016

| | Primary Government | | Component Unit | |
|--|--------------------------|----------------------|----------------------------------|----------------------|
| | Navarro College District | | Navarro College Foundation, Inc. | |
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenues: | | | | |
| Tuition and fees (net of scholarship allowances and discounts of \$4,240,703 and \$4,360,369, respectively) | \$ 16,982,906 | \$ 16,205,416 | \$ - | \$ - |
| Gifts | - | - | 462,188 | 505,309 |
| Sales and services of educational activities | 492,709 | 451,427 | - | - |
| Auxiliary enterprises (net of scholarship allowances and discounts of \$1,817,445 and \$1,868,730, respectively) | 7,024,329 | 7,044,650 | - | - |
| Other operating revenues | 217,531 | 196,380 | - | - |
| Total operating revenues | <u>24,717,475</u> | <u>23,897,873</u> | <u>462,188</u> | <u>505,309</u> |
| Operating expenses: | | | | |
| Instruction | 19,545,759 | 20,148,443 | - | - |
| Public service | 331,537 | 289,941 | - | - |
| Academic support | 3,123,899 | 3,588,737 | - | - |
| Student services | 4,540,335 | 4,550,759 | - | - |
| Institutional support | 7,899,625 | 8,221,330 | 97,216 | 86,853 |
| Operation and maintenance of plant | 4,013,560 | 3,774,689 | - | - |
| Scholarships and fellowships | 9,879,276 | 11,467,584 | 303,255 | 212,422 |
| Auxiliary enterprises | 8,904,115 | 9,833,242 | - | - |
| Depreciation | 2,081,025 | 2,120,128 | - | - |
| Total operating expenses | <u>60,319,131</u> | <u>63,994,853</u> | <u>400,471</u> | <u>299,275</u> |
| Operating income (loss) | <u>(35,601,656)</u> | <u>(40,096,980)</u> | <u>61,717</u> | <u>206,034</u> |
| Nonoperating revenues (expenses): | | | | |
| State appropriations | 17,690,587 | 17,758,716 | - | - |
| Ad valorem property taxes for maintenance and operations | 3,645,253 | 3,553,400 | - | - |
| Federal grants and contracts | 15,292,945 | 17,463,377 | - | - |
| State grants and contracts | 1,361,855 | 1,438,024 | - | - |
| Local grants and contracts | 103,202 | 81,545 | - | - |
| Investment income | 102,303 | 93,031 | 228,813 | 361,594 |
| Gifts | 903,810 | 856,846 | - | - |
| Interest on capital asset-related debt | (924,665) | (1,028,332) | - | - |
| Other nonoperating revenues (expenses), net | 157,019 | 216,309 | (9,738) | (80,603) |
| Net nonoperating revenues | <u>38,332,309</u> | <u>40,432,916</u> | <u>219,075</u> | <u>280,991</u> |
| Increase (decrease) in net position | 2,730,653 | 335,936 | 280,792 | 487,025 |
| Net position - beginning of year | <u>44,960,842</u> | <u>44,624,906</u> | <u>12,735,989</u> | <u>12,248,964</u> |
| Net position - end of year | <u>\$ 47,691,495</u> | <u>\$ 44,960,842</u> | <u>\$ 13,016,781</u> | <u>\$ 12,735,989</u> |

See accompanying notes to the financial statements.

Navarro College District
Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2017 and 2016

| | Primary Government Navarro College District | |
|---|--|------------------------|
| | 2017 | 2016 |
| Cash flows from operating activities | | |
| Receipts from students and other customers | \$ 30,681,818 | \$ 28,179,572 |
| Receipts from third-party student loans | 15,392,047 | 21,193,292 |
| Receipts from gifts and others for other than capital purposes | 985,829 | 1,005,459 |
| Other receipts | 217,531 | 196,384 |
| Loans issued to students | (15,495,431) | (17,098,729) |
| Payments to employees | (30,321,617) | (31,109,486) |
| Payments to suppliers and students | (32,829,000) | (35,084,568) |
| Net cash provided by (used in) operating activities | <u>(31,368,823)</u> | <u>(32,718,076)</u> |
| Cash flows from noncapital financing activities | | |
| Receipts of state appropriations | 15,421,000 | 15,406,876 |
| Receipts from ad valorem property taxes for maintenance and operation | 3,633,622 | 3,513,844 |
| Receipts of grants and contracts | 16,722,336 | 25,234,682 |
| Net cash provided by (used in) noncapital financing activities | <u>35,776,958</u> | <u>44,155,402</u> |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (705,605) | (103,605) |
| Payments on capital debt principal | (2,760,000) | (2,650,000) |
| Payments on capital debt interest | (942,357) | (1,044,898) |
| Net cash provided by (used in) capital and related financing activities | <u>(4,407,962)</u> | <u>(3,798,503)</u> |
| Cash flows from investing activities | | |
| Receipts from interest on investments | 88,638 | 97,297 |
| Net cash provided by (used in) investing activities | <u>88,638</u> | <u>97,297</u> |
| Net increase (decrease) in cash and cash equivalents | 88,811 | 7,736,120 |
| Cash and cash equivalents - beginning of year | <u>23,164,439</u> | <u>15,428,319</u> |
| Cash and cash equivalents - end of year | <u>\$ 23,253,250</u> | <u>\$ 23,164,439</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating income (loss) | \$ (35,601,656) | \$ (40,096,980) |
| Adjustments to reconcile operating income (loss) to net cash used in operating activities: | | |
| Depreciation expense | 2,081,025 | 2,120,128 |
| On-behalf payments | 2,269,587 | 2,351,840 |
| Receipts from gifts and others for other than capital purposes | 985,829 | 1,005,459 |
| Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | |
| (Increase) decrease in receivables, net | (221,741) | 2,141,997 |
| (Increase) decrease in prepaid expenses | 4,077 | 529,208 |
| (Increase) decrease in inventories | (895,610) | (16,185) |
| (Increase) decrease in deferred outflows of resources - pension | 432,757 | (1,861,321) |
| Increase (decrease) in accounts payable | (385,947) | (991,253) |
| Increase (decrease) in accrued liabilities | - | 1,320 |
| Increase (decrease) in funds held for others | 28,060 | (10,038) |
| Increase (decrease) in unearned revenue | 214,021 | 211,586 |
| Increase (decrease) in accrued compensated absences | 90,251 | (22,379) |
| Increase (decrease) in accrued claims and judgments | (36,141) | 10,024 |
| Increase (decrease) in net pension liability | 181,931 | 1,219,320 |
| Increase (decrease) in deferred inflows of resources - pension | (515,266) | 689,198 |
| Net cash used in operating activities | <u>\$ (31,368,823)</u> | <u>\$ (32,718,076)</u> |
| Noncash investing, capital and financing activities: | | |
| State appropriations on-behalf payments | <u>\$ 2,269,587</u> | <u>\$ 2,351,840</u> |
| Contributed real estate improvements and equipment | <u>\$ 25,702</u> | <u>\$ 10,000</u> |
| Forgiveness of loan payable | <u>\$ 75,000</u> | <u>\$ 75,000</u> |

See accompanying notes to the financial statements.



Navarro College District
Notes to Financial Statements
August 31, 2017 and 2016

Note 1 - Nature of Operations and Reporting Entity

Navarro College District (the District) was established in 1946, in accordance with the laws of the State of Texas, to serve the education needs of Navarro, Freestone, Limestone, Ellis and Leon Counties. The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: An Amendment of GASB Statements No. 14 and No. 34*. While the District receives funding from local, state, and federal sources and must comply with the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity. The accompanying financial statements present the District and its component unit. The discretely presented component unit (described below) is reported in a separate column to emphasize that it is legally separate from the District.

Navarro College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The District does not control the timing or amount of receipts from the Foundation. The Foundation is considered a component unit of the District and is discretely presented in the District's financial statements due to the following:

- The majority of resources, or income thereon that the Foundation holds and invests, are for the benefit of the District or its constituents.
- The net position of the Foundation compared to the District is significant.
- Substantially all resources held by the Foundation can only be used by, or for the benefit of, the District.
- The Foundation has historically provided resources to the District or its constituents.

During the years ended August 31, 2017 and 2016, the Foundation expended \$213,688 and \$131,289, 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements are also in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*.

Navarro College District

Notes to Financial Statements (continued)

Note 2 - Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the District have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31; and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

C. Tuition Discounting

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

Navarro College District

Notes to Financial Statements (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Tuition Discounting (continued)

Texas Public Education Grants: Certain tuition amounts must 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 amounts as a separate set aside amount (TEC §56.033). When the award is used by the student for tuition and fees, the District records the amount as tuition discount. If the amount is dispersed directly to the student, the District records the amount as a scholarship expense.

Title IV, Higher Education Act Program Funds: Certain Title IV HEA Program funds are received by the District to pass through to the students. When the award is used by the student for tuition and fees, the District records the amount as tuition discount. If the amount is dispersed directly to the student, the District records the amount as a scholarship expense.

Other Tuition Discounts: The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the District records the amount as a tuition discount. If the amount is dispersed directly to the student, the District records the amount as a scholarship expense.

D. Cash and Cash Equivalents

The District considers cash and cash equivalents as cash on hand, demand deposits and certificates of deposit.

E. Inventories

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

F. Restricted Cash and Cash Equivalents

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

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 acquisition 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.

Navarro College District

Notes to Financial Statements (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

G. Capital Assets (continued)

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

| | |
|-------------------------|--------------|
| Buildings | 50 years |
| Other improvements | 20 years |
| Library books | 8 years |
| Furniture and equipment | 5 - 10 years |

H. Unearned Revenue

Unearned revenue of the District at August 31, 2017 and 2016, consists of the following amounts which have not yet been earned:

| | 2017 | 2016 |
|------------------|---------------|---------------|
| Tuition and fees | \$ 9,803,918 | \$ 9,717,637 |
| Auxiliary | 2,296,884 | 2,169,144 |
| Federal grants | 5,104,600 | 4,900,239 |
| | \$ 17,205,402 | \$ 16,787,020 |

I. Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of a government’s net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has one item that qualifies for reporting in this category:

Deferred inflows of resources for pension – These deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District’s proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

J. Deferred Outflows of Resources

A deferred outflow of resources is a consumption of a government’s net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

Deferred outflows of resources for refunding - This deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Navarro College District

Notes to Financial Statements (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows of Resources (continued)

Deferred outflows of resources for pension - This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

K. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined based on the flow of economic resource measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability: deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, and liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

L. 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. Accordingly, the District is aware that actual results could differ from those estimates.

M. Change in Accounting Principle

In the current fiscal year, the District implemented the following new standard:

GASB Statement No. 77, Tax Abatement Disclosures, applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government's tax revenues.

N. Reclassifications

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

Navarro College District

Notes to Financial Statements (continued)

Note 3 - Authorized Investments

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

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

Note 4 - Deposits and Investments

Deposits of the District at August 31, 2017 and 2016, consist of the following:

| | 2017 | 2016 |
|--------------------------------|---------------|---------------|
| Cash - demand deposits | \$ 21,022,105 | \$ 22,039,894 |
| Cash - certificates of deposit | 2,225,000 | 1,118,500 |
| Cash - petty cash on hand | 6,145 | 6,045 |
| Total deposits | \$ 23,253,250 | \$ 23,164,439 |

Deposits and investments of the Foundation at August 31, 2017 and 2016, consist of the following:

| | 2017 | 2016 |
|--------------------------------|--------------|--------------|
| <u>Deposits</u> | | |
| Cash - demand deposits | \$ 66,891 | \$ 31,783 |
| Total deposits | 66,891 | 31,783 |
| <u>Investments</u> | | |
| Cash equivalents | 100,125 | 257,430 |
| Certificates of deposit | 1,043,050 | 940,867 |
| U. S. government securities | 298,475 | 305,447 |
| Corporate bonds | 648,835 | 552,994 |
| Marketable equity securities | 2,317,804 | 2,125,242 |
| Other investments | 10,454 | 10,956 |
| Total investments | 4,418,743 | 4,192,936 |
| Total deposits and investments | \$ 4,485,634 | \$ 4,224,719 |

Navarro College District

Notes to Financial Statements (continued)

Note 4 - Deposits and Investments (continued)

The Foundation categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The Foundation has the following investments that are measured at fair value:

| <u>Description</u> | <u>8/31/2017</u> | <u>Fair Value Measurements at Reporting Date Using</u> | | |
|---------------------------------------|---------------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Available- for-sale- securities | \$ 4,418,743 | \$ 4,418,743 | \$ - | \$ - |
| Total | <u>\$ 4,418,743</u> | <u>\$ 4,418,743</u> | <u>\$ -</u> | <u>\$ -</u> |

| <u>Description</u> | <u>8/31/2016</u> | <u>Fair Value Measurements at Reporting Date Using</u> | | |
|---------------------------------------|---------------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Available- for-sale- securities | \$ 4,192,936 | \$ 4,192,936 | \$ - | \$ - |
| Total | <u>\$ 4,192,936</u> | <u>\$ 4,192,936</u> | <u>\$ -</u> | <u>\$ -</u> |

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.

Navarro College District

Notes to Financial Statements (continued)

Note 4 - Deposits and Investments (continued)

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

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

Note 5 - Accounts Receivable

Accounts receivable at August 31, 2017 and 2016, consist of the following:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|----------------------|---------------------|
| Tuition and fees | \$ 7,450,748 | \$ 7,036,726 |
| Ad valorem property taxes | 287,490 | 275,859 |
| Federal and state grants | 1,426,913 | 1,501,910 |
| Interest | 15,666 | 2,001 |
| Auxiliary and other | <u>2,503,971</u> | <u>2,381,230</u> |
| | 11,684,788 | 11,197,726 |
| Less allowance for doubtful accounts | <u>(1,411,516)</u> | <u>(1,411,516)</u> |
| Accounts receivable, net | <u>\$ 10,273,272</u> | <u>\$ 9,786,210</u> |

Navarro College District

Notes to Financial Statements (continued)

Note 6 - Capital Assets

Capital asset activity for the District for the year ended August 31, 2017 was as follows:

| | Balance September 1, 2016 | Additions | Transfers and Retirements | Balance August 31, 2017 |
|--|---------------------------------|-----------------------|---------------------------------|-------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,641,656 | \$ 98,230 | \$ - | \$ 2,739,886 |
| Collections | 434,339 | - | - | 434,339 |
| Total capital assets, not being depreciated | <u>3,075,995</u> | <u>98,230</u> | <u>-</u> | <u>3,174,225</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | 74,418,968 | 321,322 | - | 74,740,290 |
| Other real estate improvements | 8,156,307 | - | - | 8,156,307 |
| Total buildings and other real estate improvements | 82,575,275 | 321,322 | - | 82,896,597 |
| Library books | 1,647,276 | 15,745 | - | 1,663,021 |
| Furniture and equipment | 7,357,619 | 213,491 | (42,551) | 7,528,559 |
| Total capital assets, being depreciated | <u>91,580,170</u> | <u>550,558</u> | <u>(42,551)</u> | <u>92,088,177</u> |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | (20,872,932) | (1,306,756) | - | (22,179,688) |
| Other real estate improvements | (3,482,077) | (283,357) | - | (3,765,434) |
| Total buildings and other real estate improvements | (24,355,009) | (1,590,113) | - | (25,945,122) |
| Library books | (1,241,942) | (50,916) | - | (1,292,858) |
| Furniture and equipment | (4,788,629) | (439,996) | 42,551 | (5,186,074) |
| Total accumulated depreciation | <u>(30,385,580)</u> | <u>(2,081,025)</u> | <u>42,551</u> | <u>(32,424,054)</u> |
| Total capital assets, being depreciated (net) | <u>61,194,590</u> | <u>(1,530,467)</u> | <u>-</u> | <u>59,664,123</u> |
| Total capital assets, net | <u>\$ 64,270,585</u> | <u>\$ (1,432,237)</u> | <u>\$ -</u> | <u>\$ 62,838,348</u> |

Navarro College District

Notes to Financial Statements (continued)

Note 6 - Capital Assets (continued)

Capital asset activity for the District for the year ended August 31, 2016 was as follows:

| | Balance September 1, 2015 | Additions | Transfers and Retirements | Balance August 31, 2016 |
|--|---------------------------------|-----------------------|---------------------------------|-------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,641,656 | \$ - | \$ - | \$ 2,641,656 |
| Collections | 434,339 | - | - | 434,339 |
| Total capital assets, not being depreciated | <u>3,075,995</u> | <u>-</u> | <u>-</u> | <u>3,075,995</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | 74,418,968 | - | - | 74,418,968 |
| Other real estate improvements | <u>8,156,307</u> | <u>-</u> | <u>-</u> | <u>8,156,307</u> |
| Total buildings and other real estate improvements | 82,575,275 | - | - | 82,575,275 |
| Library books | 1,624,936 | 22,340 | - | 1,647,276 |
| Furniture and equipment | <u>7,449,829</u> | <u>123,291</u> | <u>(215,501)</u> | <u>7,357,619</u> |
| Total capital assets, being depreciated | <u>91,650,040</u> | <u>145,631</u> | <u>(215,501)</u> | <u>91,580,170</u> |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | (19,551,315) | (1,321,617) | - | (20,872,932) |
| Other real estate improvements | <u>(3,197,485)</u> | <u>(284,592)</u> | <u>-</u> | <u>(3,482,077)</u> |
| Total buildings and other real estate improvements | (22,748,800) | (1,606,209) | - | (24,355,009) |
| Library books | (1,183,522) | (58,420) | - | (1,241,942) |
| Furniture and equipment | <u>(4,546,714)</u> | <u>(455,499)</u> | <u>213,584</u> | <u>(4,788,629)</u> |
| Total accumulated depreciation | <u>(28,479,036)</u> | <u>(2,120,128)</u> | <u>213,584</u> | <u>(30,385,580)</u> |
| Total capital assets, being depreciated (net) | <u>63,171,004</u> | <u>(1,974,497)</u> | <u>(1,917)</u> | <u>61,194,590</u> |
| Total capital assets, net | <u>\$ 66,246,999</u> | <u>\$ (1,974,497)</u> | <u>\$ (1,917)</u> | <u>\$ 64,270,585</u> |

Navarro College District

Notes to Financial Statements (continued)

Note 6 - Capital Assets (continued)

Capital asset activity for the Foundation for the year ended August 31, 2017 was as follows:

| | Balance September 1, 2016 | Additions | Transfers and Retirements | Balance August 31, 2017 |
|---|---------------------------------|-----------------|---------------------------------|-------------------------------|
| Capital assets, not being depreciated: | | | | |
| Collections | \$ 8,527,088 | \$ 4,500 | \$ - | \$ 8,531,588 |
| Total capital assets, not being depreciated | <u>8,527,088</u> | <u>4,500</u> | <u>-</u> | <u>8,531,588</u> |
| Capital assets, being depreciated: | | | | |
| Furniture and equipment | 22,042 | - | - | 22,042 |
| Total capital assets, being depreciated | <u>22,042</u> | <u>-</u> | <u>-</u> | <u>22,042</u> |
| Less accumulated depreciation: | | | | |
| Furniture and equipment | (22,042) | - | - | (22,042) |
| Total accumulated depreciation | <u>(22,042)</u> | <u>-</u> | <u>-</u> | <u>(22,042)</u> |
| Total capital assets, being depreciated (net) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital assets, net | <u>\$ 8,527,088</u> | <u>\$ 4,500</u> | <u>\$ -</u> | <u>\$ 8,531,588</u> |

Capital asset activity for the Foundation for the year ended August 31, 2016 was as follows:

| | Balance September 1, 2015 | Additions | Transfers and Retirements | Balance August 31, 2016 |
|---|---------------------------------|------------------|---------------------------------|-------------------------------|
| Capital assets, not being depreciated: | | | | |
| Collections | \$ 8,441,588 | \$ 85,500 | \$ - | \$ 8,527,088 |
| Total capital assets, not being depreciated | <u>8,441,588</u> | <u>85,500</u> | <u>-</u> | <u>8,527,088</u> |
| Capital assets, being depreciated: | | | | |
| Furniture and equipment | 22,042 | - | - | 22,042 |
| Total capital assets, being depreciated | <u>22,042</u> | <u>-</u> | <u>-</u> | <u>22,042</u> |
| Less accumulated depreciation: | | | | |
| Furniture and equipment | (22,042) | - | - | (22,042) |
| Total accumulated depreciation | <u>(22,042)</u> | <u>-</u> | <u>-</u> | <u>(22,042)</u> |
| Total capital assets, being depreciated (net) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital assets, net | <u>\$ 8,441,588</u> | <u>\$ 85,500</u> | <u>\$ -</u> | <u>\$ 8,527,088</u> |

Navarro College District

Notes to Financial Statements (continued)

Note 7 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2017 was as follows:

| | Balance September 1, 2016 | Additions | Reductions | Balance August 31, 2017 | Due Within One Year |
|------------------------------|---------------------------------|-------------------|-----------------------|-------------------------------|---------------------------|
| Bonds and loan payable: | | | | | |
| Revenue bonds | \$ 21,905,000 | \$ - | \$ (2,560,000) | \$ 19,345,000 | \$ 1,495,000 |
| Issuance premiums | 784,743 | - | (66,316) | 718,427 | - |
| Loan payable | 1,125,000 | - | (75,000) | 1,050,000 | - |
| Total bonds and loan payable | 23,814,743 | - | (2,701,316) | 21,113,427 | 1,495,000 |
| Capital lease | 3,260,000 | - | (200,000) | 3,060,000 | 205,000 |
| Other liabilities: | | | | | |
| Net pension liability | 7,927,858 | 181,931 | - | 8,109,789 | - |
| Compensated absences | 2,483,805 | 356,575 | (266,324) | 2,574,056 | 85,370 |
| Claims and judgments | 92,104 | - | (36,141) | 55,963 | 13,991 |
| | <u>\$ 37,578,510</u> | <u>\$ 538,506</u> | <u>\$ (3,203,781)</u> | <u>\$ 34,913,235</u> | <u>\$ 1,799,361</u> |

Long-term liability activity for the year ended August 31, 2016 was as follows:

| | Balance September 1, 2015 | Additions | Reductions | Balance August 31, 2016 | Due Within One Year |
|------------------------------|---------------------------------|---------------------|-----------------------|-------------------------------|---------------------------|
| Bonds and loan payable: | | | | | |
| Revenue bonds | \$ 24,365,000 | \$ - | \$ (2,460,000) | \$ 21,905,000 | \$ 2,560,000 |
| Issuance premiums | 851,060 | - | (66,317) | 784,743 | - |
| Loan payable | 1,200,000 | - | (75,000) | 1,125,000 | - |
| Total bonds and loan payable | 26,416,060 | - | (2,601,317) | 23,814,743 | 2,560,000 |
| Capital lease | 3,450,000 | - | (190,000) | 3,260,000 | 200,000 |
| Other liabilities: | | | | | |
| Net pension liability | 6,708,538 | 1,219,320 | - | 7,927,858 | - |
| Compensated absences | 2,506,184 | 304,346 | (326,725) | 2,483,805 | 183,835 |
| Claims and judgments | 82,080 | 10,024 | - | 92,104 | 23,026 |
| | <u>\$ 39,162,862</u> | <u>\$ 1,533,690</u> | <u>\$ (3,118,042)</u> | <u>\$ 37,578,510</u> | <u>\$ 2,966,861</u> |

Navarro College District

Notes to Financial Statements (continued)

Note 7 - Long-Term Liabilities (continued)

Revenue bonds at August 31, 2017 and 2016, which were all issued to provide funds for the acquisition and construction of major capital facilities, are comprised of the following individual issues:

| | 2017 | 2016 |
|--|---------------|---------------|
| \$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2027; interest at 3.7% | \$ 1,930,000 | \$ 2,110,000 |
| \$3,550,000 series 2007 revenue bonds due in annual installments of \$120,000 to \$250,000 through May 2027; interest at 4.08% | 2,115,000 | 2,285,000 |
| \$4,075,000 series 2009 revenue bonds due in annual installments of \$135,000 to \$300,000 through May 2029; interest at 4.56% | 2,840,000 | 3,015,000 |
| \$21,370,000 series 2012 revenue and refunding bonds due in annual installments of \$955,000 to \$2,035,000 through May 2028; interest at 2% to 5% | 12,460,000 | 14,495,000 |
| | \$ 19,345,000 | \$ 21,905,000 |

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

Navarro College District

Notes to Financial Statements (continued)

Note 7 - Long-Term Liabilities (continued)

Debt service requirements to amortize revenue bonds payable as of August 31, 2017, are as follows:

| For the Year Ended August 31, | Revenue Bonds | | Total |
|----------------------------------|---------------|--------------|---------------|
| | Principal | Interest | |
| 2018 | \$ 1,495,000 | \$ 740,656 | \$ 2,235,656 |
| 2019 | 1,540,000 | 696,976 | 2,236,976 |
| 2020 | 1,595,000 | 644,484 | 2,239,484 |
| 2021 | 1,650,000 | 590,062 | 2,240,062 |
| 2022 | 1,710,000 | 533,691 | 2,243,691 |
| 2023-2027 | 9,410,000 | 1,512,742 | 10,922,742 |
| 2028-2029 | 1,945,000 | 87,956 | 2,032,956 |
| | \$ 19,345,000 | \$ 4,806,567 | \$ 24,151,567 |

The District has pledged certain future tuition and fees to repay \$21.9 million in revenue bonds issued from 2006 to 2012. Proceeds from the bonds provided financing for the construction of classroom buildings and dormitories. Annual principal and interest payments on the bonds are expected to require approximately 20% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$24.2 million. Principal and interest paid for the current year and total of pledged tuition and fees were \$2.2 million and \$12.0 million, respectively.

Note 8 - Capital Lease Obligations

City of Midlothian, Texas (Ellis County) issued \$3,530,000 of Combination Tax and Revenue Refunding Bonds (Navarro College District), Series 2014 to refund and defease certain maturities of its existing outstanding bond issuances. The refunding allowed the District to reduce future debt payments. The refunding resulted in a decrease in total debt service payments in the next 14 years by \$360,311 which equates to a \$301,679 present value savings or economic gain. The refunding provided resources that were placed in a separate irrevocable trust for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the bonds are considered to be defeased and the liability has been removed from the statement of net position. The difference between the reacquisition price and the net carrying amount of the old debt (deferred amount on refunding of \$146,669) will be amortized over the remaining life of the original debt issued. The bonds are payable by the District pursuant to a lease agreement between the City of Midlothian, Texas and the District.

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, 2017 consisted of the following:

| | |
|--------------------------------|--------------|
| Building | \$ 4,651,416 |
| Less: accumulated amortization | (990,375) |
| | \$ 3,661,041 |

Navarro College District

Notes to Financial Statements (continued)

Note 8 - Capital Lease Obligations (continued)

The future minimum lease obligations and the net present value of future minimum lease payments as of August 31, 2016 are as follows:

| <u>Fiscal Year</u> | |
|---|---------------------|
| 2018 | \$ 298,875 |
| 2019 | 299,775 |
| 2020 | 305,575 |
| 2021 | 308,975 |
| 2022 | 312,075 |
| 2023-2027 | 1,574,425 |
| 2028-2029 | <u>649,219</u> |
| Total minimum lease payments | 3,748,919 |
| Less amounts representing interest (at rates ranging from 4.0% to 4.6%) | <u>(688,919)</u> |
| Present value of minimum capital lease payments | <u>\$ 3,060,000</u> |

Note 9 - Employees' Retirement Plan

Plan Description. The District participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit.

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan (continued)

Benefits Provided (continued). There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions for all contributors were as follows:

| | <u>Measurement Year (2016)</u> | | <u>Fiscal Year (2017)</u> |
|--|--|----------------------------|------------------------------|
| | <u>Contributions Required and Made</u> | <u>Pension Expense</u> | <u>TRS Contributions</u> |
| Member (Employee) | \$ 1,201,325 | \$ - | \$ 1,236,916 |
| District (Employer) | 681,870 | 814,384 | 687,646 |
| Non-employer contributing entity (State) | 470,954 | 580,125 | 441,914 |

| | <u>Measurement Year (2015)</u> | | <u>Fiscal Year (2016)</u> |
|--|--|----------------------------|------------------------------|
| | <u>Contributions Required and Made</u> | <u>Pension Expense</u> | <u>TRS Contributions</u> |
| Member (Employee) | \$ 577,740 | \$ - | \$ 1,201,325 |
| District (Employer) | 664,092 | 703,816 | 681,870 |
| Non-employer contributing entity (State) | 455,866 | 775,181 | 463,404 |

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan (continued)

Contributions (continued). As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|-----------------------------------|
| Valuation Date | August 31, 2016 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Open |
| Asset Valuation Method | 5 year Market Value |
| Discount Rate | 8.00% |
| Inflation | 2.5% |
| Long-term expected Investment Rate of Return* | 8.00% |
| Salary Increases* | 3.5% to 9.5% |
| Payroll Growth Rate | 2.5% |
| Benefit changes during the year | None |
| Ad hoc post-employment benefit changes | None |

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan (continued)

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate (continued). Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2017, are summarized below:

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return * |
|-------------------------------|----------------------|--------------------------------|---|
| Global Equity | | | |
| U.S. | 18% | 4.6% | 1.0% |
| Non-U.S. Developed | 13% | 5.1% | 0.8% |
| Emerging Markets | 9% | 5.9% | 0.7% |
| Directional Hedge Funds | 4% | 3.2% | 0.1% |
| Private Equity | 13% | 7.0% | 1.1% |
| Stable Value | | | |
| U.S. Treasuries | 11% | 0.7% | 0.1% |
| Absolute Return | 0% | 1.8% | 0.0% |
| Stable Value Hedge Funds | 4% | 3.0% | 0.1% |
| Cash | 1% | -0.2% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3% | 0.9% | 0.0% |
| Real Assets | 16% | 5.1% | 1.1% |
| Energy and Natural Resources | 3% | 6.6% | 0.2% |
| Commodities | 0% | 1.2% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5% | 6.7% | 0.3% |
| Inflation Expectation | | | 2.2% |
| Alpha | | | 1.0% |
| Total | 100% | | 8.7% |

* The Expected Contributions to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan - continued

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

| | 1% Decrease 7% | Current Discount Rate 8% | 1% Increase 9% |
|--|-------------------|--------------------------------|-------------------|
| District's proportional share of the net pension liability | \$12,551,222 | \$8,109,789 | \$4,342,557 |

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

| | 1% Decrease 7% | Current Discount Rate 8% | 1% Increase 9% |
|--|-------------------|--------------------------------|-------------------|
| District's proportional share of the net pension liability | \$12,421,459 | \$7,927,858 | \$4,184,967 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, the District reported a liability of \$8,109,789 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---------------|
| District's proportion of the net pension liability | 0.0214610% |
| District's proportional share of the net pension liability | \$ 8,109,789 |
| State's proportionate share of the net pension liability associated with the District | 5,590,154 |
| Total | \$ 13,699,943 |

At August 31, 2016, the District reported a liability of \$7,927,858 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---------------|
| District's proportion of the net pension liability | 0.0224276% |
| District's proportional share of the net pension liability | \$ 7,927,858 |
| State's proportionate share of the net pension liability associated with the District | 5,440,480 |
| Total | \$ 13,368,338 |

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The net pension liability was measured as of August 31, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the periods September 1, 2015 thru August 31, 2016 and September 1, 2014 thru August 31, 2015, respectively.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0214610% which was a decrease from its proportion measured as of August 31, 2016 of 0.0224276%.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0224276% which was a decrease from its proportion measured as of August 31, 2015 of 0.025149%.

Changes since the Prior Actuarial Valuation

There have been no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

For the fiscal year ended August 31, 2017, the District recognized pension expense of \$812,493 as well as revenue of \$580,125 representing pension expense incurred by the State on behalf of the District.

For the fiscal year ended August 31, 2016, the District recognized pension expense of \$703,816 as well as revenue of \$775,181 representing pension expense incurred by the State on behalf of the District.

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 127,160 | \$ 242,154 |
| Changes of assumptions | 247,172 | 224,793 |
| Difference between projected and actual earnings on pension plan investments | 1,562,767 | 876,047 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 883,099 |
| District contributions subsequent to the measurement date | 687,645 | - |
| Total | \$ 2,624,744 | \$ 2,226,093 |

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued).

The \$687,645 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended | |
|-------------------|---------------------|
| August 31, | Amount |
| 2018 | \$ (105,072) |
| 2019 | (105,072) |
| 2020 | 332,951 |
| 2021 | (138,719) |
| 2022 | (232,506) |
| Thereafter | (40,576) |
| | <u>\$ (288,994)</u> |

At August 31, 2016, the District reported its proportionate share of the TRS' deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 86,285 | \$ 304,675 |
| Changes of assumptions | 362,657 | 282,831 |
| Difference between projected and actual earnings on pension plan investments | 1,926,689 | 1,537,995 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 615,858 |
| District contributions subsequent to the measurement date | <u>681,870</u> | <u>-</u> |
| Total | <u>\$ 3,057,501</u> | <u>\$ 2,741,359</u> |

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued).

The \$681,870 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended August 31,</u> | <u>Amount</u> |
|----------------------------------|-------------------|
| 2017 | \$ 137,526 |
| 2018 | 137,526 |
| 2019 | 137,526 |
| 2020 | (375,075) |
| 2021 | 118,424 |
| Thereafter | 209,801 |
| | <u>\$ 365,728</u> |

Optional Retirement Program. The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (ORP) is in lieu of participation in the Teacher Retirement System of Texas. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. The District supplements an additional 1.9%. Since these are individual annuity contracts, the state and the District have no additional or unfunded liability for this program.

Actual Funding. Contribution rates as a percentage of compensation and contributions made for TRS and ORP for 2017, 2016, and 2015 are shown in the table below.

| <u>Year</u> | <u>Member (TRS)</u> | | <u>State (TRS)</u> | |
|-------------|---------------------|---------------|--------------------|---------------|
| | <u>Rate</u> | <u>Amount</u> | <u>Rate</u> | <u>Amount</u> |
| 2017 | 7.7% | \$ 1,304,542 | 6.8% | \$ 1,238,812 |
| 2016 | 7.7% | 1,484,813 | 6.8% | 1,446,627 |
| 2015 | 7.2% | 1,381,145 | 6.8% | 1,430,704 |

State contributions to ORP made on behalf of the District are reported as revenues and expenses in the accompanying financial statements.

The total payroll for all District employees was \$25,121,399 and \$25,779,019 for the years ended August 31, 2017 and 2016, respectively. The total payroll of employees covered by TRS was \$16,064,631 and \$16,685,062, and the total payroll of employees covered by ORP was \$4,149,926 and \$4,262,973 for the years ended August 31, 2017 and 2016, respectively.

Navarro College District

Notes to Financial Statements (continued)

Note 10 - Compensated Absences

Full-time employees earn vacation at a rate of 6.67 hours per month for the first five years of employment, then at a rate of 10.00 hours per month thereafter. 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 \$527,510 and \$505,411 at August 31, 2017 and 2016, 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 \$2,021,769 and \$1,943,404 at August 31, 2017 and 2016, respectively. The District recognized an accrued liability for unpaid compensatory time of \$24,777 and \$34,990 at August 31, 2017 and 2016, respectively.

Note 11 - Risk Management

Workers' Compensation Aggregate Deductible

During the year ended August 31, 2017, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

Navarro College District

Notes to Financial Statements (continued)

Note 11 - Risk Management – continued

Workers' Compensation Aggregate Deductible (continued)

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and Property Programs

During the year ended August 31, 2017, the District participated in the following TASB Risk Management Fund (the Fund) programs: Auto Liability, Auto Physical Damage, Legal Liability, and Property.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2017, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2017, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Navarro College District

Notes to Financial Statements (continued)

Note 12 - Post-Retirement Health Care and Life Insurance Benefits

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

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

The employer's share of the cost of retiree healthcare coverage above the cost charged using a blended rate is known as the implicit rate subsidy. It is measured as the difference between the claims costs for the retirees and the amounts contributed by the retirees determined on a pay-as-you-go basis. State contributions to SRHP made on behalf of the District for the years ended August 31, 2017, 2016 and 2015 were \$380,376, \$331,176, and \$314,865, respectively, and are reported as revenues and expenses in the accompanying financial statements. The District's contributions to SRHP for the years ended August 31, 2017, 2016 and 2015 were \$466,638, \$408,247, and \$379,584, respectively, which equaled the required contributions each year.

Note 13 - Voluntary Contributory Pension Plan

The District has a contributory, defined contribution, money-purchase pension plan which is administered by the trust department at a local bank. Any employee who has completed one year of service, has attained age 21, and is actively employed on the last day of the plan year is eligible to participate. In order to participate, the employee must agree to contribute 5% of total compensation to the plan. The District then contributes 8% of total compensation to the plan. The employee is 100% vested in their contributions to the plan. Employer contributions to the plan are vested at 20% after one year of service, and then at the rate of 20% per year of service. District contributions were \$991,940 and \$1,023,884 in 2017 and 2016, respectively. Participant contributions were \$619,963 and \$639,928 in 2017 and 2016, respectively.

Note 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:

| | 2017 | 2016 |
|--|-------------------------|-------------------------|
| Assessed valuation of the District | \$ 3,232,166,233 | \$ 3,175,167,202 |
| Less: Abatements | 48,059,526 | 51,612,184 |
| Less: Exemptions | 138,037,380 | 129,412,489 |
| Net assessed valuation of the District | <u>\$ 3,046,069,327</u> | <u>\$ 2,994,142,529</u> |

Navarro College District

Notes to Financial Statements (continued)

Note 14 - Ad Valorem Property Taxes - continued

Tax rates authorized and assessed during fiscal year 2017 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 | 0.118300 | 0.000000 | 0.118300 |

Tax rates authorized and assessed during fiscal year 2016 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 | 0.118300 | 0.000000 | 0.118300 |

Taxes levied for the year ended August 31, 2017 are \$3,595,794. 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, 2017 are as follows:

| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
|----------------------------------|-------------------------------|-------------------------|---------------------|
| Current taxes collected | \$ 3,501,564 | \$ - | \$ 3,501,564 |
| Delinquent taxes collected | 68,277 | - | 68,277 |
| Penalties and interest collected | 57,409 | - | 57,409 |
| Total collections | <u>\$ 3,627,250</u> | <u>\$ -</u> | <u>\$ 3,627,250</u> |

Taxes levied for the year ended August 31, 2016 are \$3,534,453. 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, 2016 are as follows:

| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
|----------------------------------|-------------------------------|-------------------------|---------------------|
| Current taxes collected | \$ 3,432,700 | \$ - | \$ 3,432,700 |
| Delinquent taxes collected | 55,738 | - | 55,738 |
| Penalties and interest collected | 19,927 | - | 19,927 |
| Total collections | <u>\$ 3,508,365</u> | <u>\$ -</u> | <u>\$ 3,508,365</u> |

Current tax collections for the years ended August 31, 2017 and 2016 were 97.38% and 97.12%, respectively, of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

Navarro College District

Notes to Financial Statements (continued)

Note 15 - Budgetary Data

Each community college 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 District's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. 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.

Note 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 2017 or 2016.

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

Note 17 - Contingencies

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

Note 18 - Grants and Contracts

Contract and grant revenues are recognized in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. 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.

Note 19 - Business Concentrations

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

Note 20 - Transactions with Component Unit

The District received \$25,702 in equipment contributions from the Foundation for the year ended August 31, 2017. The District received contributions from the Foundation for the year ended August 31, 2016 in the amount of \$80,603. As discussed in Note 1, the Foundation expended \$213,688 and \$131,289 for the years ended August 31, 2017 and 2016, respectively, directly to the District or to the District on behalf of students for scholarships.

Navarro College District

Notes to Financial Statements (continued)

Note 21 - Authoritative Pronouncements Not Yet Adopted

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans*. This statement was issued for implementation in fiscal year 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This statement was issued for implementation in fiscal year 2018.

GASB Statement No. 87, *Leases*. This statement was issued for implementation in fiscal year 2021.

Note 22 - Tax Abatements

The District is committed to the promotion of high quality development in all parts of Navarro County; and to ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the District will, on a case-by-case basis, give consideration to providing tax abatement as stimulation for economic development in Navarro County. It is the policy of the District to make available tax abatement for both new facilities and for the expansion or modernization of existing buildings or structures. For the purpose of establishing a policy on economic development incentives, and pursuant to Chapter 312 of the Texas Property Tax Code, the District is authorized to participate in tax abatement in Reinvestment Zones designated by the City of Corsicana and by Navarro County, and to enter into tax abatement agreements in all areas of Navarro County.

The amount of ad valorem taxes abated for the year ended August 31, 2017 is \$45,878 in total for the following companies:

| <u>Company</u> | <u>Assessed Valuation</u> | <u>Abatement</u> | <u>Property Tax Abated</u> |
|--------------------------------|-------------------------------|----------------------|--------------------------------|
| Guardian Industries Corp | \$ 12,722,300 | \$ 5,753,155 | \$ 6,806 |
| M Squared Oncology Leasing LLC | 1,820,050 | 905,538 | 1,071 |
| Pactiv LLC | 46,308,810 | 31,375,413 | 37,117 |
| Russel Stover Candies Inc. | 2,076,240 | 746,845 | 884 |
| Total | <u>\$ 62,927,400</u> | <u>\$ 38,780,951</u> | <u>\$ 45,878</u> |

The Board of Trustees has the authority to recapture all taxes abated in the event the taxpayer violates any term or condition of their tax abatement agreement.

Note 23 - Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through December 14, 2017, the date on which the financial statements were available to be issued, and has determined that there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

Navarro College District

Schedule of the District's Proportionate Share of the Net Pension Liability

Teachers Retirement System of Texas

For the Last Three Measurement Years Ended August 31st

| | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.021% | 0.022% | 0.025% |
| District's proportionate share of the net pension liability | \$ 8,109,789 | \$ 7,927,858 | \$ 6,708,538 |
| State's proportionate share of the net pension liability associated with the District | 5,590,154 | 5,440,480 | 4,924,836 |
| Total | \$ 13,699,943 | \$ 13,368,338 | \$ 11,633,374 |
| District's covered-employee payroll (for Measurement Year) | \$ 16,685,062 | \$ 16,418,480 | \$ 16,125,155 |
| District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll | 48.6% | 48.3% | 41.6% |
| Plan fiduciary net position as a percentage of the total pension liability* | 78.00% | 78.43% | 83.25% |
| Plan's net pension liability as a percentage of covered-employee payroll* | 92.75% | 91.94% | 72.89% |

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

* Per TRS' CAFR

Navarro College District
Schedule of District Contributions
Teachers Retirement System of Texas
For the Last Four Fiscal Years

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------|----------------|----------------|----------------|
| Contractually required contributions | \$ 650,374 | \$ 681,870 | \$ 656,368 | \$ 636,733 |
| Contributions in relation to the contractual required contributions | <u>650,374</u> | <u>681,870</u> | <u>656,368</u> | <u>636,733</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered employee payroll | \$ 16,064,631 | \$ 16,685,062 | \$ 16,418,480 | \$ 16,125,155 |
| Contributions as a percentage of covered employee payroll | 4.05% | 4.09% | 4.00% | 3.95% |

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2013.
Additional years will be presented prospectively as data becomes available.

Navarro College District

Notes to Required Supplementary Information

Year Ended August 31, 2017

Notes to Required Supplementary Information

Changes in Assumptions. New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

Changes in Benefit Terms. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

SUPPLEMENTARY INFORMATION

Navarro College District

Schedule of Operating Revenues (Schedule A)

**Year Ended August 31, 2017
(With Totals for the Year Ended August 31, 2016)**

| | | | Total | | Total | |
|--|----------------------|-------------|---------------------------|--------------------------|----------------------|----------------------|
| | Unrestricted | Restricted | Educational Activities | Auxiliary Enterprises | 2017 | 2016 |
| Tuition and fees: | | | | | | |
| State funded credit courses: | | | | | | |
| In-district resident tuition | \$ 1,139,977 | \$ - | \$ 1,139,977 | \$ - | \$ 1,139,977 | \$ 1,163,808 |
| Out-of-district resident tuition | 6,576,917 | - | 6,576,917 | - | 6,576,917 | 6,403,935 |
| Non-resident tuition | 556,405 | - | 556,405 | - | 556,405 | 526,016 |
| TPEG - credit (set aside) | 497,413 | - | 497,413 | - | 497,413 | 466,631 |
| State funded continuing education | 600,226 | - | 600,226 | - | 600,226 | 428,954 |
| TPEG - non-credit (set aside) | 12,123 | - | 12,123 | - | 12,123 | 9,480 |
| Non-state funded educational programs | 28,584 | - | 28,584 | - | 28,584 | 12,520 |
| Total tuition | 9,411,645 | - | 9,411,645 | - | 9,411,645 | 9,011,344 |
| Fees: | | | | | | |
| Building use fees | 3,961,300 | - | 3,961,300 | - | 3,961,300 | 3,942,353 |
| Student services fees | 2,285,531 | - | 2,285,531 | - | 2,285,531 | 1,962,878 |
| Laboratory fees | 303,463 | - | 303,463 | - | 303,463 | 357,393 |
| Out-of-district fees | 5,026,019 | - | 5,026,019 | - | 5,026,019 | 4,997,878 |
| Other fees | 235,651 | - | 235,651 | - | 235,651 | 293,939 |
| Total fees | 11,811,964 | - | 11,811,964 | - | 11,811,964 | 11,554,441 |
| Scholarship allowances and discounts: | | | | | | |
| Scholarship allowance | (3,528,684) | - | (3,528,684) | - | (3,528,684) | (3,765,901) |
| TPEG awards | (712,019) | - | (712,019) | - | (712,019) | (594,468) |
| Total scholarship allowances | (4,240,703) | - | (4,240,703) | - | (4,240,703) | (4,360,369) |
| Total net tuition and fees | 16,982,906 | - | 16,982,906 | - | 16,982,906 | 16,205,416 |
| Additional operating revenues: | | | | | | |
| Sales and services of educational activities | 492,709 | - | 492,709 | - | 492,709 | 451,427 |
| Other operating revenues | 217,531 | - | 217,531 | - | 217,531 | 196,380 |
| Total additional operating revenues | 710,240 | - | 710,240 | - | 710,240 | 647,807 |
| Auxiliary enterprises: | | | | | | |
| Bookstore | - | - | - | 4,228,298 | 4,228,298 | 4,289,027 |
| less discounts | - | - | - | (981,420) | (981,420) | (1,009,114) |
| Dining services | - | - | - | 2,385,617 | 2,385,617 | 2,295,849 |
| less discounts | - | - | - | (436,187) | (436,187) | (448,495) |
| Housing | - | - | - | 2,196,451 | 2,196,451 | 2,285,194 |
| less discounts | - | - | - | (399,838) | (399,838) | (411,121) |
| Athletic sales and student programs | - | - | - | 13,458 | 13,458 | 14,432 |
| Gift shop | - | - | - | 8,304 | 8,304 | 5,942 |
| Other auxiliary enterprises | - | - | - | 9,646 | 9,646 | 22,936 |
| Total net auxiliary enterprises | - | - | - | 7,024,329 | 7,024,329 | 7,044,650 |
| Total operating revenues | \$ 17,693,146 | \$ - | \$ 17,693,146 | \$ 7,024,329 | \$ 24,717,475 | \$ 23,897,873 |

In accordance with Education Code 56.033, \$509,536 and \$476,111 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2017 and 2016 respectively.

See accompanying independent auditors' report.

Navarro College District

**Schedule of Operating Expenses by Object
(Schedule B)**

**Year Ended August 31, 2017
(With Totals for the Year Ended August 31, 2016)**

| | Operating Expenses | | | | Total | |
|---|-----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | Salaries and Wages | Benefits | | Other Expenses | 2017 | 2016 |
| | | State | Local | | | |
| Unrestricted - educational activities: | | | | | | |
| Instruction | \$ 12,667,771 | \$ - | \$ 3,137,866 | \$ 1,089,207 | \$ 16,894,844 | \$17,302,832 |
| Public service | 27,350 | - | 6,775 | 2,784 | 36,909 | 41,513 |
| Academic support | 2,103,933 | - | 521,154 | 334,118 | 2,959,205 | 3,416,083 |
| Student services | 2,514,784 | - | 622,924 | 614,815 | 3,752,523 | 3,811,464 |
| Institutional support | 3,475,472 | - | 860,891 | 3,232,947 | 7,569,310 | 7,879,352 |
| Operation and maintenance of plant | 793,251 | - | 196,492 | 2,961,722 | 3,951,465 | 3,719,613 |
| Total unrestricted educational activities | <u>21,582,561</u> | <u>-</u> | <u>5,346,102</u> | <u>8,235,593</u> | <u>35,164,256</u> | <u>36,170,857</u> |
| Restricted - educational activities: | | | | | | |
| Instruction | 772,362 | 991,621 | 106,089 | 780,842 | 2,650,914 | 2,845,611 |
| Public service | 201,715 | 2,141 | 56,916 | 33,857 | 294,629 | 248,428 |
| Academic support | - | 164,694 | - | - | 164,694 | 172,654 |
| Student services | 387,577 | 196,855 | 99,598 | 103,782 | 787,812 | 739,295 |
| Institutional support | 4,960 | 272,057 | 1,095 | 52,203 | 330,315 | 341,978 |
| Operation and maintenance of plant | - | 62,095 | - | - | 62,095 | 55,076 |
| Scholarships and fellowships | - | - | - | 9,879,276 | 9,879,276 | 11,467,584 |
| Total restricted educational activities | <u>1,366,614</u> | <u>1,689,463</u> | <u>263,698</u> | <u>10,849,960</u> | <u>14,169,735</u> | <u>15,870,626</u> |
| Total educational activities | <u>22,949,175</u> | <u>1,689,463</u> | <u>5,609,800</u> | <u>19,085,553</u> | <u>49,333,991</u> | <u>52,041,483</u> |
| Auxiliary enterprises | <u>1,968,930</u> | <u>-</u> | <u>527,366</u> | <u>6,407,819</u> | <u>8,904,115</u> | <u>9,833,242</u> |
| Depreciation expense: | | | | | | |
| Buildings and other improvements | - | - | - | 1,590,113 | 1,590,113 | 1,606,209 |
| Equipment and furniture | - | - | - | 439,996 | 439,996 | 455,499 |
| Library books | - | - | - | 50,916 | 50,916 | 58,420 |
| Total depreciation expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,081,025</u> | <u>2,081,025</u> | <u>2,120,128</u> |
| Total operating expenses | <u>\$ 24,918,105</u> | <u>\$ 1,689,463</u> | <u>\$ 6,137,166</u> | <u>\$ 27,574,397</u> | <u>\$ 60,319,131</u> | <u>\$ 63,994,853</u> |

See accompanying independent auditors' report.

Navarro College District

**Schedule of Non-Operating Revenues and Expenses
(Schedule C)**

**Year Ended August 31, 2017
(With Totals for the Year Ended August 31, 2016)**

| | Unrestricted | Restricted | Auxiliary Enterprises | Total | |
|-------------------------------------|----------------------|----------------------|--------------------------|----------------------|----------------------|
| | | | | 2017 | 2016 |
| Nonoperating revenues: | | | | | |
| State appropriations: | | | | | |
| Education and general state support | \$ 15,302,879 | \$ - | \$ - | \$ 15,302,879 | \$ 15,288,429 |
| State group insurance | - | 1,689,462 | - | 1,689,462 | 1,576,659 |
| State retirement matching | - | 698,246 | - | 698,246 | 893,628 |
| Total state appropriations | <u>15,302,879</u> | <u>2,387,708</u> | <u>-</u> | <u>17,690,587</u> | <u>17,758,716</u> |
| Maintenance ad valorem taxes | 3,645,253 | - | - | 3,645,253 | 3,553,400 |
| Federal grants and contracts | - | 15,292,945 | - | 15,292,945 | 17,463,377 |
| State grants and contracts | - | 1,361,855 | - | 1,361,855 | 1,432,635 |
| Local grants and contracts | - | 103,202 | - | 103,202 | 81,545 |
| Investment income | 91,174 | 5,392 | 5,737 | 102,303 | 93,031 |
| Gifts and donations | - | 903,810 | - | 903,810 | 856,846 |
| Other nonoperating revenues | <u>157,019</u> | <u>-</u> | <u>-</u> | <u>157,019</u> | <u>223,615</u> |
| Total nonoperating revenues | <u>19,196,325</u> | <u>20,054,912</u> | <u>5,737</u> | <u>39,256,974</u> | <u>41,463,165</u> |
| Nonoperating expenses: | | | | | |
| Interest on capital related debt | 924,665 | - | - | 924,665 | 1,028,332 |
| Other nonoperating expenses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,917</u> |
| Total nonoperating expenses | <u>924,665</u> | <u>-</u> | <u>-</u> | <u>924,665</u> | <u>1,030,249</u> |
| Net nonoperating revenues | <u>\$ 18,271,660</u> | <u>\$ 20,054,912</u> | <u>\$ 5,737</u> | <u>\$ 38,332,309</u> | <u>\$ 40,432,916</u> |

See accompanying independent auditors' report.

Navarro College District

**Schedule of Net Position by Source and Availability
(Schedule D)**

Year Ended August 31, 2017

| | Detail by Source | | | | Available for Current Operation | |
|--|---------------------|----------------------------|----------------------|---------------------|------------------------------------|---------------------|
| | Unrestricted | Restricted - Expendable | Net Investment in | | Yes | No |
| | | | Capital Assets | Total | | |
| Current: | | | | | | |
| Unrestricted | \$ 1,937,910 | \$ - | \$ - | \$ 1,937,910 | \$ 1,937,910 | \$ - |
| Auxiliary | 3,960,800 | - | - | 3,960,800 | 3,960,800 | - |
| Scholarships and fellowships | - | 1,692,917 | - | 1,692,917 | - | 1,692,917 |
| Plant: | | | | | | |
| Debt service | - | 439,424 | - | 439,424 | - | 439,424 |
| Investment in plant | - | - | 39,660,444 | 39,660,444 | - | 39,660,444 |
| Total net position, August 31, 2017 | 5,898,710 | 2,132,341 | 39,660,444 | 47,691,495 | 5,898,710 | 41,792,785 |
| Total net position, August 31, 2016 | 4,384,898 | 2,295,108 | 38,280,836 | 44,960,842 | 4,384,898 | 40,575,944 |
| Net increase (decrease) in net position | <u>\$ 1,513,812</u> | <u>\$ (162,767)</u> | <u>\$ 1,379,608</u> | <u>\$ 2,730,653</u> | <u>\$ 1,513,812</u> | <u>\$ 1,216,841</u> |

See accompanying independent auditors' report.

Navarro College District

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

Year Ended August 31, 2017

| Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass Through Grantor Number | Federal Expenditures |
|--|---------------------------|-----------------------------------|-------------------------|
| U.S. Department of Education | | | |
| Direct Programs: | | | |
| <i>TRIO - Student Support Services</i> | 84.042A | | \$ 379,753 |
| Student Financial Assistance Cluster: | | | |
| <i>Federal Supplemental Education Opportunity Grant Program</i> | 84.007 | | 140,000 |
| <i>Federal Work Study Program</i> | 84.033 | | 211,774 |
| <i>Federal Pell Grant Program</i> | 84.063 | | 12,843,795 |
| <i>Federal Direct Student Loans</i> | 84.268 | | 15,495,431 |
| Total Student Financial Assistance Cluster | | | <u>28,691,000</u> |
| Pass Through From Texas Workforce Commission: | | | |
| <i>Adult Education & Family Literacy Act (AEFLA) - Fed Year 4</i> | 84.002A | 0416AELB02 | 140,523 |
| <i>Adult Education & Family Literacy Act (AEFLA) - Fed Year 3</i> | 84.002A | 0416AEL002 | 751,470 |
| <i>Adult Education & Family Literacy Act (AEFLA) - EL Civics Y3</i> | 84.002A | 0416AEL002 | 16,437 |
| <i>Adult Education & Family Literacy Act (AEFLA) - Professional Development Y4</i> | 84.002A | 0416AELB02 | 1,151 |
| <i>Adult Education & Family Literacy Act (AEFLA) - Professional Development Y3</i> | 84.002A | 0416AEL002 | 7,650 |
| <i>Adult Education & Family Literacy Act (AEFLA) - Distance Learning</i> | 84.002A | 0416AEL002 | 9,939 |
| Total Pass Through From Texas Workforce Commission | | | <u>927,170</u> |
| Pass Through From Texas Higher Education Coordinating Board: | | | |
| <i>Vocational Education - Carl Perkins</i> | 84.048A | 164244 | 621,699 |
| Total Pass Through From Texas Higher Education Coordinating Board | | | <u>621,699</u> |
| Total U. S. Department of Education | | | <u>\$ 30,619,622</u> |

Navarro College District

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

| | | | |
|--|------------------|----|---------------|
| Pass Through From Pennsylvania College of Technology: | | | |
| <i>Trade Adjustment Assistance Community College and Career Training Grant Program Employment and Training Administration ShaleNET Linking Talent to Opportunity</i> | | | |
| 17.282 | 13SUS-NCC-2012-1 | \$ | 5,244 |
| Total U.S. Department of Labor | | | 5,244 |
| U. S. Small Business Administration | | | |
| Pass Through From Dallas County Community College District: | | | |
| <i>Small Business Development Center</i> | | | |
| 59.037 | SBAHQ-17-B-0002 | | 87,346 |
| <i>Small Business Development Center</i> | | | |
| 59.037 | SBAHQ-16-B-0004 | | 13,461 |
| Total U. S. Small Business Administration | | | 100,807 |
| U. S. Department of Health and Human Services | | | |
| Pass Through From Texas Workforce Commission: | | | |
| <i>Temporary Assistance for Needy Families Y4</i> | | | |
| 93.558 | 0416AELB02 | | 809 |
| <i>Temporary Assistance for Needy Families Y3</i> | | | |
| 93.558 | 0416AEL002 | | 61,894 |
| Total U.S. Department of Health and Human Services | | | 62,703 |
| Total Federal Awards | | | \$ 30,788,376 |

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, 2017

Note 1 - Federal Revenue Reconciliation

Federal revenues for the year ended August 31, 2017 are reported in the basic financial statements as follows:

| | |
|---|-----------------------------|
| Federal grants and contracts per Exhibit C | \$ 15,292,945 |
| Add: Federal Direct Student Loans made | <u>15,495,431</u> |
| Total per Schedule of Expenditures of Federal Awards | <u><u>\$ 30,788,376</u></u> |

Note 2 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2017. The information in this Schedule is presented in accordance with the *Uniform Guidance*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Navarro College District
Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2017

| Grantor/Pass-Through Grantor/ Program Title | Grant Contract Number | Indirect Costs and Expenditures |
|---|--------------------------------------|--|
| Texas Higher Education Coordinating Board | | |
| Direct Programs: | | |
| <i>Texas Education Opportunity Grant</i> | | \$ 723,222 |
| <i>Texas Tomorrow Fund</i> | | 71,529 |
| <i>Texas Promise Fund</i> | | 6,066 |
| <i>Nursing Shortage Grant Program Regular</i> | | 27,419 |
| <i>Nursing Shortage Grant Program Over 70</i> | | 46,146 |
| <i>Texas Science, Technology, Engineering, and Math Challenge Scholarship Program</i> | 16905 | 30,526 |
| Pass Through From College of the Mainland: | | |
| <i>Accelerate Texas: Integrated Education and Training</i> | | 11,116 |
| Total Texas Higher Education Coordinating Board | | <u>916,024</u> |
| Texas Workforce Commission | | |
| Direct Programs: | | |
| <i>Adult Education & Family Literacy Act (AEFLA) State</i> | 0416AEL002 | 167,852 |
| <i>Skills Development - Mfg Consortium-Owens</i> | 0417SDF001 | 88,617 |
| <i>Skills Development - Hardie</i> | 0415SDF004 | 30,954 |
| Total Texas Workforce Commission | | <u>287,423</u> |
| Small Business Administration | | |
| Pass Through From Dallas County Community College District: | | |
| <i>Small Business Development Center</i> | SBAHQ-17-B-0002 | 139,096 |
| <i>Small Business Development Center</i> | SBAHQ-16-B-0004 | 19,312 |
| Total Small Business Administration | | <u>158,408</u> |
| Total State Awards | | <u>\$ 1,361,855</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, 2017

Note 1 - State Revenue Reconciliation

State revenues for the year ended August 31, 2017 are reported in the basic financial statements as follows:

| | |
|---|---------------------|
| State grants and contracts per Exhibit C | <u>\$ 1,361,855</u> |
| Total per Schedule of Expenditures of State Awards | <u>\$ 1,361,855</u> |

Note 2 - Basis of Presentation

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the District under programs of the state government for the year ended August 31, 2017. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular (Uniform Grant Management Standards)* contained in the State's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Summary of Significant Accounting Policies

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

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

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

Revenue Capacity Information

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

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

Debt Capacity Information

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

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

Demographic and Economic Information

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

- Demographic and Economic Statistics
- Principal Employers

Operating Information

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

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

Navarro College District

**Net Position by Component
Last Ten Fiscal Years
(Unaudited)**

| | August 31, | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014 (2)</u> |
| Net investment in capital assets | \$ 39,660,444 | \$ 38,280,836 | \$ 37,553,998 | \$ 35,321,947 |
| Restricted | 2,132,341 | 2,295,108 | 2,447,086 | 2,372,830 |
| Unrestricted | <u>5,579,397</u> | <u>4,384,898</u> | <u>4,623,822</u> | <u>2,542,212</u> |
| Total net position | <u>\$ 47,372,182</u> | <u>\$ 44,960,842</u> | <u>\$ 44,624,906</u> | <u>\$ 40,236,989</u> |

(1) Fiscal years 2013, 2012, and 2011 were restated for implementation of GASBS No. 65

(2) Fiscal year 2014 was restated for implementation of GASBS No. 68 and No. 71

Source: Navarro College District's financial statements

Table 1

| August 31, | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>2013 (1)</u> | <u>2012 (1)</u> | <u>2011 (1)</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| \$ 32,024,197 | \$ 26,918,301 | \$ 25,643,850 | \$ 23,238,115 | \$ 22,732,156 | \$ 21,529,891 |
| 2,901,585 | 2,963,556 | 3,018,291 | 3,007,776 | 3,170,455 | 3,371,239 |
| <u>13,317,142</u> | <u>14,460,428</u> | <u>11,114,303</u> | <u>10,190,160</u> | <u>6,790,966</u> | <u>5,412,801</u> |
| <u>\$ 48,242,924</u> | <u>\$ 44,342,285</u> | <u>\$ 39,776,444</u> | <u>\$ 36,436,051</u> | <u>\$ 32,693,577</u> | <u>\$ 30,313,931</u> |

NC

Navarro College District

**Revenues by Source
Last Ten Fiscal Years
(Unaudited)**

| | For the Year Ended August 31, | | | |
|---|-------------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Tuition and fees (net of discounts) | \$ 16,982,906 | \$ 16,205,416 | \$ 17,535,426 | \$ 14,029,788 |
| Sales and services of educational activities | 492,709 | 451,427 | 474,901 | 521,857 |
| Auxiliary enterprises (net of discounts) | 7,024,329 | 7,044,650 | 7,186,797 | 7,779,024 |
| Other operating revenues | 217,531 | 196,380 | 243,507 | 155,344 |
| Total operating revenues | 24,717,475 | 23,897,873 | 25,440,631 | 22,486,013 |
| State appropriations | 17,690,587 | 17,758,716 | 18,332,879 | 18,288,097 |
| Ad valorem taxes for maintenance and operations | 3,645,253 | 3,553,400 | 3,533,309 | 3,359,627 |
| Federal grants and contracts | 15,292,945 | 17,463,377 | 22,684,063 | 22,588,765 |
| State grants and contracts | 1,361,855 | 1,432,635 | 2,352,975 | 2,083,489 |
| Local grants and contracts | 103,202 | 81,545 | 76,322 | 94,685 |
| Investment income | 102,303 | 93,031 | 93,269 | 129,125 |
| Gifts | 903,810 | 856,846 | 867,114 | 1,414,538 |
| Other non-operating revenues | 157,019 | 221,698 | 813,949 | 349,148 |
| Total non-operating revenues | 39,256,974 | 41,461,248 | 48,753,880 | 48,307,474 |
| Total revenues | \$ 63,974,449 | \$ 65,359,121 | \$ 74,194,511 | \$ 70,793,487 |
| Tuition and fees (net of discounts) | 26.55% | 24.79% | 23.63% | 19.82% |
| Sales and services of educational activities | 0.77% | 0.69% | 0.64% | 0.74% |
| Auxiliary enterprises (net of discounts) | 10.98% | 10.78% | 9.69% | 10.99% |
| Other operating revenues | 0.34% | 0.30% | 0.33% | 0.22% |
| Total operating revenues | 38.64% | 36.56% | 34.29% | 31.76% |
| State appropriations | 27.65% | 27.17% | 24.71% | 25.83% |
| Ad valorem property taxes for maintenance and operations | 5.70% | 5.44% | 4.76% | 4.75% |
| Federal grants and contracts | 23.90% | 26.72% | 30.57% | 31.91% |
| State grants and contracts | 2.13% | 2.19% | 3.17% | 2.94% |
| Local grants and contracts | 0.16% | 0.12% | 0.10% | 0.13% |
| Investment income | 0.16% | 0.14% | 0.13% | 0.18% |
| Gifts | 1.41% | 1.31% | 1.17% | 2.00% |
| Other non-operating revenues | 0.25% | 0.34% | 1.10% | 0.49% |
| Total non-operating revenues | 61.36% | 63.44% | 65.71% | 68.24% |
| Total non-operating revenues | 100.00% | 100.00% | 100.00% | 100.00% |

(1) Fiscal years 2013 and 2012 were restated for implementation of GASBS No. 65.

Source: Navarro College District's financial statements

Table 2

| For the Year Ended August 31, | | | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2013 (1) | 2012 (1) | 2011 | 2010 | 2009 | 2008 |
| \$ 14,202,493 | \$ 15,014,906 | \$ 13,759,423 | \$ 13,325,558 | \$ 11,425,170 | \$ 10,123,664 |
| 508,065 | 448,874 | 421,584 | 373,842 | 362,637 | 358,946 |
| 8,035,390 | 8,390,017 | 8,027,928 | 7,773,268 | 7,516,783 | 6,528,184 |
| 182,078 | 129,911 | 100,877 | 98,943 | 119,684 | 98,376 |
| <u>22,928,026</u> | <u>23,983,708</u> | <u>22,309,812</u> | <u>21,571,611</u> | <u>19,424,274</u> | <u>17,109,170</u> |
| 17,919,724 | 17,530,761 | 16,383,691 | 16,719,942 | 14,788,419 | 14,443,224 |
| 3,301,143 | 3,228,761 | 3,122,756 | 2,988,424 | 2,868,682 | 2,686,447 |
| 23,451,372 | 24,701,880 | 27,228,331 | 22,755,722 | 13,816,025 | 10,894,527 |
| 1,668,721 | 1,339,234 | 1,911,420 | 1,575,161 | 1,097,098 | 1,026,892 |
| 63,216 | 78,135 | 124,667 | 122,593 | 261,910 | 297,581 |
| 160,404 | 146,902 | 153,555 | 193,952 | 279,352 | 456,823 |
| 975,840 | 834,579 | 762,018 | 635,150 | 699,769 | 793,110 |
| 291,260 | 62,511 | 64,560 | 479,948 | - | 38,049 |
| <u>47,831,680</u> | <u>47,922,763</u> | <u>49,750,998</u> | <u>45,470,892</u> | <u>33,811,255</u> | <u>30,636,653</u> |
| <u>\$ 70,759,706</u> | <u>\$ 71,906,471</u> | <u>\$ 72,060,810</u> | <u>\$ 67,042,503</u> | <u>\$ 53,235,529</u> | <u>\$ 47,745,823</u> |
| 20.07% | 20.88% | 19.09% | 19.88% | 21.46% | 21.20% |
| 0.72% | 0.62% | 0.59% | 0.56% | 0.68% | 0.75% |
| 11.36% | 11.67% | 11.14% | 11.59% | 14.12% | 13.67% |
| 0.26% | 0.18% | 0.14% | 0.15% | 0.22% | 0.21% |
| <u>32.40%</u> | <u>33.35%</u> | <u>30.96%</u> | <u>32.18%</u> | <u>36.49%</u> | <u>35.83%</u> |
| 25.32% | 24.38% | 22.74% | 24.94% | 27.78% | 30.25% |
| 4.67% | 4.49% | 4.33% | 4.46% | 5.39% | 5.63% |
| 33.14% | 34.35% | 37.79% | 33.94% | 25.95% | 22.82% |
| 2.36% | 1.86% | 2.65% | 2.35% | 2.06% | 2.15% |
| 0.09% | 0.11% | 0.17% | 0.18% | 0.49% | 0.62% |
| 0.23% | 0.20% | 0.21% | 0.29% | 0.52% | 0.96% |
| 1.38% | 1.16% | 1.06% | 0.95% | 1.31% | 1.66% |
| 0.41% | 0.09% | 0.09% | 0.72% | 0.00% | 0.08% |
| <u>67.60%</u> | <u>66.65%</u> | <u>69.04%</u> | <u>67.82%</u> | <u>63.51%</u> | <u>64.17%</u> |
| <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

Navarro College District

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

| | For the Year Ended August 31, | | | |
|---|-------------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Instruction | \$ 19,545,759 | \$ 20,148,443 | \$ 21,368,604 | \$ 20,213,672 |
| Public service | 331,537 | 289,941 | 279,188 | 275,807 |
| Academic support | 3,123,899 | 3,588,737 | 3,475,922 | 3,972,411 |
| Student services | 4,540,335 | 4,550,759 | 4,245,023 | 4,360,373 |
| Institutional support | 7,899,625 | 8,221,330 | 7,101,168 | 6,998,131 |
| Operation and maintenance of plant | 4,013,560 | 3,774,689 | 3,840,350 | 3,748,746 |
| Scholarships and fellowships | 9,879,276 | 11,467,584 | 15,670,742 | 16,571,886 |
| Auxiliary enterprises | 8,904,115 | 9,833,242 | 10,609,202 | 11,825,269 |
| Depreciation | 2,081,025 | 2,120,128 | 2,142,219 | 1,997,893 |
| Total operating expenses | <u>60,319,131</u> | <u>63,994,853</u> | <u>68,732,418</u> | <u>69,964,188</u> |
| Interest on capital related debt | 924,665 | 1,028,332 | 1,074,176 | 1,234,432 |
| Total non-operating expenses | <u>924,665</u> | <u>1,028,332</u> | <u>1,074,176</u> | <u>1,234,432</u> |
| Total expenses | <u>\$ 61,243,796</u> | <u>\$ 65,023,185</u> | <u>\$ 69,806,594</u> | <u>\$ 71,198,620</u> |
| Special item | - | - | - | - |
| Change in net position | <u>\$ 2,730,653</u> | <u>\$ 335,936</u> | <u>\$ 4,387,917</u> | <u>\$ (405,133)</u> |
| Instruction | 31.91% | 30.99% | 30.61% | 28.39% |
| Public service | 0.54% | 0.45% | 0.40% | 0.39% |
| Academic support | 5.10% | 5.52% | 4.98% | 5.58% |
| Student services | 7.41% | 7.00% | 6.08% | 6.12% |
| Institutional support | 12.90% | 12.64% | 10.17% | 9.83% |
| Operation and maintenance of plant | 6.55% | 5.81% | 5.50% | 5.27% |
| Scholarships and fellowships (net of discounts) | 16.13% | 17.64% | 22.45% | 23.28% |
| Auxiliary enterprises | 14.54% | 15.12% | 15.20% | 16.61% |
| Depreciation | 3.40% | 3.26% | 3.07% | 2.81% |
| Total operating expenses | <u>98.49%</u> | <u>98.42%</u> | <u>98.46%</u> | <u>98.27%</u> |
| Interest on capital related debt | 1.51% | 1.58% | 1.54% | 1.73% |
| Total non-operating expenses | <u>1.51%</u> | <u>1.58%</u> | <u>1.54%</u> | <u>1.73%</u> |
| Total expenses | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

(1) Fiscal years 2013 and 2012 were restated for implementation of GASBS No. 65

Source: Navarro College District's financial statements

Table 3

| For the Year Ended August 31, | | | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2013 (1) | 2012 (1) | 2011 | 2010 | 2009 | 2008 |
| \$ 19,104,050 | \$ 17,799,800 | \$ 18,167,513 | \$ 17,540,069 | \$ 16,061,086 | \$ 14,955,025 |
| 270,869 | 281,184 | 228,891 | 194,113 | 173,343 | 157,488 |
| 3,748,138 | 3,486,597 | 3,579,175 | 3,436,714 | 3,045,243 | 2,800,470 |
| 4,608,363 | 4,031,791 | 3,677,010 | 3,838,251 | 3,058,628 | 2,693,937 |
| 6,144,442 | 5,191,112 | 5,022,776 | 5,054,143 | 4,400,790 | 4,227,103 |
| 4,030,618 | 4,122,473 | 4,582,981 | 3,743,411 | 3,427,220 | 3,732,384 |
| 15,761,613 | 16,955,799 | 17,996,557 | 16,350,302 | 8,538,915 | 7,061,974 |
| 11,504,077 | 12,088,998 | 11,880,415 | 10,082,097 | 9,252,131 | 8,585,730 |
| 1,968,446 | 1,855,608 | 1,703,928 | 1,574,211 | 1,539,247 | 1,475,450 |
| <u>67,140,616</u> | <u>65,813,362</u> | <u>66,839,246</u> | <u>61,813,311</u> | <u>49,496,603</u> | <u>45,689,561</u> |
| | | | | | |
| 1,257,512 | 1,527,268 | 1,493,617 | 1,486,718 | 1,359,280 | 1,378,430 |
| <u>1,257,512</u> | <u>1,527,268</u> | <u>1,493,617</u> | <u>1,486,718</u> | <u>1,359,280</u> | <u>1,378,430</u> |
| | | | | | |
| <u>\$ 68,398,128</u> | <u>\$ 67,340,630</u> | <u>\$ 68,332,863</u> | <u>\$ 63,300,029</u> | <u>\$ 50,855,883</u> | <u>\$ 47,067,991</u> |
| | | | | | |
| 1,539,061 | - | - | - | - | - |
| <u>\$ 3,900,639</u> | <u>\$ 4,565,841</u> | <u>\$ 3,727,947</u> | <u>\$ 3,742,474</u> | <u>\$ 2,379,646</u> | <u>\$ 675,679</u> |
| | | | | | |
| 27.93% | 26.43% | 26.59% | 27.71% | 31.58% | 31.77% |
| 0.40% | 0.42% | 0.33% | 0.31% | 0.34% | 0.33% |
| 5.48% | 5.18% | 5.24% | 5.43% | 5.99% | 5.95% |
| 6.74% | 5.99% | 5.38% | 6.06% | 6.01% | 5.72% |
| 8.98% | 7.71% | 7.35% | 7.98% | 8.65% | 8.98% |
| 5.89% | 6.12% | 6.71% | 5.91% | 6.74% | 7.93% |
| | | | | | |
| 23.04% | 25.18% | 26.34% | 25.83% | 16.79% | 15.00% |
| 16.82% | 17.95% | 17.39% | 15.93% | 18.19% | 18.24% |
| 2.88% | 2.76% | 2.49% | 2.49% | 3.03% | 3.13% |
| <u>98.16%</u> | <u>97.73%</u> | <u>97.81%</u> | <u>97.65%</u> | <u>97.33%</u> | <u>97.07%</u> |
| | | | | | |
| 1.84% | 2.27% | 2.19% | 2.35% | 2.67% | 2.93% |
| <u>1.84%</u> | <u>2.27%</u> | <u>2.19%</u> | <u>2.35%</u> | <u>2.67%</u> | <u>2.93%</u> |
| | | | | | |
| <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

Navarro College District

**Tuition and Fees
Last Ten Academic Years
(Unaudited)**

Resident Students (1)

| Fiscal Year (Fall) | Tuition | | Matriculation Fee | Building Use Fee |
|--------------------------|-------------|-----------------|----------------------|---------------------|
| | In-District | Out-of-District | | |
| 2017 | \$ 504 | \$ 1,092 | \$ 14 | \$ 336 |
| 2016 | 480 | 1,020 | 14 | 312 |
| 2015 | 444 | 972 | 14 | 288 |
| 2014 | 432 | 852 | 11 | 228 |
| 2013 | 432 | 840 | 11 | 228 |
| 2012 | 432 | 840 | 11 | 216 |
| 2011 | 420 | 828 | 11 | 216 |
| 2010 | 384 | 768 | 11 | 204 |
| 2009 | 372 | 744 | 11 | 204 |
| 2008 | 372 | 732 | 10 | 204 |

| Vehicle Registration Fee | Technology Fee | Total Cost | | Increase from Prior Year | | Semester Credit Hours |
|--------------------------------|-------------------|-------------|-----------------|--------------------------|-----------------|-----------------------------|
| | | In-District | Out-of-District | In-District | Out-of-District | |
| \$ 16 | \$ 96 | \$ 966 | \$ 1,554 | 8.17% | 8.44% | 13,477 |
| 15 | 72 | 893 | 1,433 | 7.20% | 5.29% | 14,088 |
| 15 | 72 | 833 | 1,361 | 21.43% | 23.06% | 16,129 |
| 15 | - | 686 | 1,106 | 0.00% | 1.10% | 17,399 |
| 15 | - | 686 | 1,094 | 2.54% | 1.58% | 19,659 |
| 10 | - | 669 | 1,077 | 1.83% | 1.13% | 19,463 |
| 10 | - | 657 | 1,065 | 7.88% | 7.25% | 20,481 |
| 10 | - | 609 | 993 | 2.01% | 2.48% | 20,602 |
| 10 | - | 597 | 969 | 1.88% | 1.36% | 18,256 |
| 10 | - | 586 | 956 | 14.01% | 19.20% | 16,783 |

Navarro College District

**Tuition and Fees
Last Ten Academic Years
(Continued)**

Non-Resident Students (1)

| Fiscal Year (Fall) | Tuition | Out-of-District Fee | Matriculation Fee | Building Use Fee |
|--------------------------|----------|------------------------|----------------------|---------------------|
| 2017 | \$ 1,188 | \$ 516 | \$ 14 | \$ 336 |
| 2016 | 1,140 | 480 | 14 | 312 |
| 2015 | 1,080 | 468 | 14 | 288 |
| 2014 | 1,044 | 408 | 11 | 228 |
| 2013 | 1,044 | 408 | 11 | 228 |
| 2012 | 972 | 396 | 11 | 216 |
| 2011 | 972 | 396 | 11 | 216 |
| 2010 | 876 | 372 | 11 | 204 |
| 2009 | 811 | 360 | 11 | 204 |
| 2008 | 811 | 348 | 10 | 204 |

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.

Source: Navarro College District Finance Department

Table 4
Page 2 of 2

| <u>Vehicle Registration Fee</u> | <u>Technology Fee</u> | <u>Total Cost</u> | <u>Increase from Prior Year</u> | <u>Semester Credit Hours</u> |
|---|---------------------------|-------------------|---|--------------------------------------|
| \$ 16 | \$ 96 | \$ 2,166 | 6.54% | 3,123 |
| 15 | 72 | 2,033 | 4.96% | 3,519 |
| 15 | 72 | 1,937 | 13.54% | 2,877 |
| 15 | - | 1,706 | 0.00% | 3,366 |
| 15 | - | 1,706 | 6.29% | 3,876 |
| 10 | - | 1,605 | 0.00% | 3,852 |
| 10 | - | 1,605 | 8.96% | 4,234 |
| 10 | - | 1,473 | 5.52% | 3,531 |
| 10 | - | 1,396 | 0.94% | 3,433 |
| 10 | - | 1,383 | 1.92% | 3,233 |

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 |
|----------------|--------------------------------------|---|-------------------------------------|
| 2017 | \$ 3,232,166,233 | \$ 186,096,906 | \$ 3,046,069,327 |
| 2016 | 3,175,167,202 | 181,024,673 | 2,994,142,529 |
| 2015 | 3,083,281,070 | 165,743,597 | 2,917,537,473 |
| 2014 | 2,903,869,194 | 138,171,442 | 2,765,697,752 |
| 2013 | 2,870,855,246 | 96,595,879 | 2,774,259,367 |
| 2012 | 2,796,227,018 | 114,145,881 | 2,682,081,137 |
| 2011 | 2,731,703,393 | 116,531,309 | 2,615,172,084 |
| 2010 | 2,659,140,974 | 126,618,871 | 2,532,522,103 |
| 2009 | 2,570,555,700 | 144,139,000 | 2,426,416,700 |
| 2008 | 2,386,173,918 | 167,814,765 | 2,218,359,153 |

Source: Navarro County Tax Assessor - Collector

Notes: Property is assessed at full market value.

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

(1) per \$100 taxable assessed valuation

Table 5

| Ratio of Taxable Value to Assessed Value | Estimated Actual Value | Direct Rates (1) | | |
|--|------------------------------|----------------------------------|-----------------|---------|
| | | Maintenance and Operations | Debt Service | Total |
| 94.24% | \$ 3,232,166,233 | 0.11830 | - | 0.11830 |
| 94.30% | 3,175,167,202 | 0.11830 | - | 0.11830 |
| 94.62% | 3,083,281,070 | 0.12020 | - | 0.12020 |
| 95.24% | 2,903,869,194 | 0.12020 | - | 0.12020 |
| 96.64% | 2,870,855,246 | 0.11900 | - | 0.11900 |
| 95.92% | 2,796,227,018 | 0.11900 | - | 0.11900 |
| 95.73% | 2,731,703,393 | 0.11900 | - | 0.11900 |
| 95.24% | 2,659,140,974 | 0.11900 | - | 0.11900 |
| 94.39% | 2,570,555,700 | 0.11900 | - | 0.11900 |
| 92.97% | 2,386,173,918 | 0.12000 | - | 0.12000 |

Navarro College District

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

| | 2017 | 2016 | 2015 | 2014 |
|--------------------------|-----------|-----------|-----------|-----------|
| Navarro College District | \$ 0.1183 | \$ 0.1183 | \$ 0.1202 | \$ 0.1202 |
| County: | | | | |
| Navarro County | 0.6270 | 0.6270 | 0.6270 | 0.6270 |
| Cities: | | | | |
| Barry | 0.3851 | 0.3851 | 0.3851 | 0.3851 |
| Blooming Grove | 0.4801 | 0.4512 | 0.4821 | 0.4821 |
| Corsicana | 0.6272 | 0.6272 | 0.6272 | 0.6272 |
| Dawson | 0.4234 | 0.4000 | 0.4000 | 0.4000 |
| Emhouse | 0.2943 | 0.2943 | 0.2943 | 0.2943 |
| Frost | 0.5690 | 0.5611 | 0.5573 | 0.5657 |
| Goodlow | 0.0897 | 0.0897 | 0.0897 | 0.0897 |
| Kerens | 0.6839 | 0.6803 | 0.6817 | 0.6817 |
| Rice | 0.5990 | 0.5844 | 0.5500 | 0.5351 |
| Richland | 0.2330 | 0.2330 | 0.2330 | 0.2330 |
| School Districts: | | | | |
| Blooming Grove | 1.1300 | 1.1300 | 1.1300 | 1.1300 |
| Corsicana | 1.3703 | 1.3703 | 1.2803 | 1.2803 |
| Dawson | 1.2922 | 1.2922 | 1.2900 | 1.2900 |
| Frost | 1.2208 | 1.2308 | 1.2404 | 1.2550 |
| Kerens | 1.1100 | 1.1100 | 1.1100 | 1.1100 |
| Mildred | 1.2812 | 1.2812 | 1.2812 | 1.2980 |
| Rice | 1.3365 | 1.3365 | 1.3800 | 1.4200 |

Source: Navarro County Appraisal District

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

Table 6

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| \$ 0.1190 | \$ 0.1190 | \$ 0.1190 | \$ 0.1190 | \$ 0.1190 | \$ 0.1200 |
| 0.6270 | 0.6270 | 0.6270 | 0.6270 | 0.5828 | 0.5754 |
| 0.3851 | 0.3661 | 0.3349 | 0.3393 | 0.3237 | 0.3237 |
| 0.4821 | 0.4900 | 0.4900 | 0.4859 | 0.4653 | 0.4880 |
| 0.6272 | 0.6272 | 0.6272 | 0.6272 | 0.6272 | 0.6272 |
| 0.4000 | 0.4000 | 0.4000 | 0.3783 | 0.3783 | 0.3783 |
| 0.2943 | 0.2943 | 0.3072 | 0.3072 | 0.3072 | 0.3332 |
| 0.5600 | 0.5300 | 0.5000 | 0.5000 | 0.5000 | 0.5000 |
| 0.0897 | 0.0897 | 0.0897 | 0.0897 | 0.0897 | 0.8970 |
| 0.6434 | 0.6434 | 0.6434 | 0.6434 | 0.6433 | 0.6329 |
| 0.4999 | 0.4700 | 0.4700 | 0.4200 | 0.3700 | 0.3100 |
| 0.2330 | 0.2189 | 0.2056 | 0.2056 | 0.2056 | 0.2068 |
| 1.1300 | 1.1300 | 1.1300 | 1.1200 | 1.1200 | 1.1231 |
| 1.2830 | 1.2830 | 1.2830 | 1.2830 | 1.2857 | 1.2850 |
| 1.2900 | 1.2900 | 1.2900 | 1.2900 | 1.2900 | 1.2900 |
| 1.2550 | 1.2550 | 1.2550 | 1.2321 | 1.2850 | 1.1550 |
| 1.1100 | 1.1100 | 1.1100 | 1.1200 | 1.1227 | 1.1000 |
| 1.2906 | 1.2798 | 1.2798 | 1.2498 | 1.2838 | 1.2427 |
| 1.4200 | 1.4200 | 1.4200 | 1.4200 | 1.4200 | 1.1809 |

Navarro College District

**Principal Taxpayers
Last Ten Tax Years
(Unaudited)**

| Taxpayer | Type of Business | Taxable Assessed Value | | |
|--|------------------------|-------------------------|-------------------------|-------------------------|
| | | 2017 | 2016 | 2015 |
| Guardian Industry - Abated | Glass Manufacturer | \$ 53,276,715 | \$ 47,069,805 | \$ 45,928,470 |
| Oncor Electric Delivery | Electric Utility | 52,248,010 | 48,825,700 | 49,835,890 |
| Energy Transfer Fuel LP | Electric Company | 47,606,870 | 65,033,230 | 66,068,120 |
| Nalco Company | Energy Services | 46,116,150 | 51,736,240 | 56,587,750 |
| Lone Star Transmission | Electric Company | 44,756,720 | 48,107,140 | 50,788,550 |
| Seaway Crude Pipeline LP | Oil Distribution | 44,330,040 | 44,743,340 | 45,366,960 |
| Pactiv-Foam - Abated | Foam Manufacturer | 37,706,553 | 33,922,684 | 24,800,084 |
| Russell Stover Candies-Abated | Candy Manufacturer | 35,939,480 | 35,933,935 | 40,899,980 |
| Union Pacific | RR Company | 35,828,790 | 33,680,970 | 31,648,440 |
| Permian Express Partners (formerly Sunoc | Pipeline company | 28,550,040 | - | - |
| True Value Co. - Non-Abated | Retail Distribution | - | 27,569,810 | 27,651,750 |
| Burlington Northern Santa Fe | Rail Road | - | - | - |
| Magellan Pipeline Co, LP | Pipeline company | - | - | - |
| HD USA 5147 | Manufacturer | - | - | - |
| Corsicana Techonoligies Inc. | Manufacturer | - | - | - |
| National Industrial Portfolio Borrower | Real Estate Investment | - | - | - |
| Guardian Industry | Glass Manufacturer | - | - | - |
| Home Depot | Retail Distribution | - | - | - |
| Pactiv-Foam | Foam Manufacturer | - | - | - |
| Kohl's Distribution | Retail Distribution | - | - | - |
| Totals | | <u>\$ 426,359,368</u> | <u>\$ 436,622,854</u> | <u>\$ 439,575,994</u> |
| Net taxable assessed value | | <u>\$ 3,046,069,327</u> | <u>\$ 2,994,142,529</u> | <u>\$ 2,917,537,473</u> |

| Taxable Assessed Value | | | | | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | |
| \$ 48,580,980 | \$ 46,198,430 | \$ 47,902,205 | \$ 47,719,270 | \$ 22,251,050 | \$ 35,546,950 | \$ 36,583,990 | |
| 49,116,350 | 45,617,500 | 43,840,090 | 42,244,260 | 43,925,930 | - | 48,008,780 | |
| 61,634,770 | 73,136,440 | 80,588,880 | 79,919,230 | 73,045,150 | - | 29,956,070 | |
| 49,772,120 | - | - | - | - | - | - | |
| 52,908,350 | 38,442,150 | - | - | - | - | - | |
| - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | |
| 37,232,300 | 40,755,175 | 41,788,490 | 43,777,148 | 46,518,140 | 45,322,760 | 47,028,340 | |
| 28,615,140 | 25,687,460 | 23,181,290 | 21,388,410 | - | - | - | |
| 20,287,000 | 21,311,840 | 21,707,000 | - | - | - | - | |
| 29,579,080 | 29,969,010 | 30,657,820 | 32,844,610 | 32,697,650 | 36,338,740 | 25,173,180 | |
| 18,882,520 | - | - | 15,374,710 | - | - | - | |
| - | 18,925,180 | 19,588,170 | 20,108,295 | 21,925,300 | 19,779,490 | 19,760,200 | |
| - | - | 39,242,590 | 33,662,336 | 46,870,610 | - | - | |
| - | 43,215,390 | 32,423,520 | 24,295,930 | 25,664,420 | 26,541,670 | - | |
| - | - | - | - | 36,936,320 | 18,241,000 | 19,051,900 | |
| - | - | - | - | 28,643,210 | 16,285,710 | 31,867,020 | |
| - | - | - | - | - | 36,383,870 | 61,084,750 | |
| - | - | - | - | - | 14,423,940 | - | |
| - | - | - | - | - | 12,848,920 | 19,001,110 | |
| <u>\$ 396,608,610</u> | <u>\$ 383,258,575</u> | <u>\$ 380,920,055</u> | <u>\$ 361,334,199</u> | <u>\$ 378,477,780</u> | <u>\$ 261,713,050</u> | <u>\$ 337,515,340</u> | |
| <u>\$ 2,765,697,752</u> | <u>\$ 2,774,259,367</u> | <u>\$ 2,682,081,137</u> | <u>\$ 2,615,172,084</u> | <u>\$ 2,532,522,103</u> | <u>\$ 2,426,416,700</u> | <u>\$ 2,218,359,153</u> | |

Navarro College District

**Principal Taxpayers
Last Ten Tax Years
(Continued)**

| Taxpayer | Type of Business | Taxable Assessed Value | | |
|---|------------------------|------------------------|---------------|---------------|
| | | 2017 | 2016 | 2015 |
| Guardian Industry - Abated | Glass Manufacturer | 1.75% | 1.57% | 1.57% |
| Oncor Electric Delivery | Electric Utility | 1.72% | 1.63% | 1.71% |
| Energy Transfer Fuel LP | Electric Company | 1.56% | 2.17% | 2.26% |
| Nalco Company | Energy Services | 1.51% | 1.73% | 1.94% |
| Lone Star Transmission | Electric Company | 1.47% | 1.61% | 1.74% |
| Seaway Crude Pipeline LP | Oil Distribution | 1.46% | 1.49% | 1.55% |
| Pactiv-Foam - Abated | Foam Manufacturer | 1.24% | 1.13% | 0.85% |
| Russell Stover Candies-Abated | Candy Manufacturer | 1.18% | 1.20% | 1.40% |
| Union Pacific | RR Company | 1.18% | 1.12% | 1.08% |
| Permian Express Partners (formerly Sunoc Pipeline company | | 0.94% | - | - |
| True Value Co. - Non-Abated | Retail Distribution | - | 0.93% | 0.97% |
| Burlington Northern Santa Fe | Rail Road | - | - | - |
| Magellan Pipeline Co, LP | Pipeline company | - | - | - |
| HD USA 5147 | Manufacturer | - | - | - |
| Corsicana Techonologies Inc. | Manufacturer | - | - | - |
| National Industrial Portfolio Borrower | Real Estate Investment | - | - | - |
| Guardian Industry | Glass Manufacturer | - | - | - |
| Home Depot | Retail Distribution | - | - | - |
| Pactiv-Foam | Foam Manufacturer | - | - | - |
| Kohl's Distribution | Retail Distribution | - | - | - |
| Totals | | <u>14.00%</u> | <u>14.58%</u> | <u>15.07%</u> |

Source: Navarro County Appraisal District

Taxable Assessed Value

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1.76% | 1.67% | 1.79% | 1.82% | 0.88% | 1.46% | 1.65% |
| 1.78% | 1.64% | 1.63% | 1.62% | 1.73% | - | 2.16% |
| 2.23% | 2.64% | 3.00% | 3.06% | 2.88% | - | 1.35% |
| 1.80% | - | - | - | - | - | - |
| 1.91% | 1.39% | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1.35% | 1.47% | 1.56% | 1.67% | 1.84% | 1.87% | 2.12% |
| 1.03% | 0.93% | 0.86% | 0.82% | - | - | - |
| 0.73% | 0.77% | 0.81% | - | - | - | - |
| 1.07% | 1.06% | 1.15% | 1.25% | 1.29% | 1.51% | 1.13% |
| 0.68% | - | - | 0.59% | - | - | - |
| - | 0.68% | 0.73% | 0.77% | 0.87% | 0.82% | 0.89% |
| - | - | 1.46% | 1.29% | 1.85% | - | - |
| - | 1.56% | 1.21% | 0.93% | 1.01% | 1.09% | - |
| - | - | - | - | 1.46% | 0.75% | 0.86% |
| - | - | - | - | 1.13% | 0.67% | 1.44% |
| - | - | - | - | - | 1.50% | 2.75% |
| - | - | - | - | - | 0.59% | - |
| - | - | - | - | - | 0.53% | 0.86% |
| <u>14.34%</u> | <u>13.81%</u> | <u>14.20%</u> | <u>13.82%</u> | <u>14.94%</u> | <u>10.79%</u> | <u>15.21%</u> |

Navarro College District

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

| <u>Fiscal Year</u> | <u>Original Levy</u> | <u>Cumulative Levy Adjustments</u> | <u>Total Adjusted Tax Levy</u> |
|------------------------|--------------------------|--|--|
| 2017 | \$ 3,608,756 | \$ (12,962) | \$ 3,595,794 |
| 2016 | 3,546,947 | (12,494) | 3,534,453 |
| 2015 | 3,515,366 | (10,903) | 3,504,463 |
| 2014 | 3,330,770 | (10,479) | 3,320,291 |
| 2013 | 3,308,730 | (14,354) | 3,294,376 |
| 2012 | 3,192,388 | (11,443) | 3,180,945 |
| 2011 | 3,112,065 | (16,103) | 3,095,962 |
| 2010 | 3,013,738 | (19,450) | 2,994,288 |
| 2009 | 2,886,719 | (9,280) | 2,877,439 |
| 2008 | 2,661,925 | (1,264) | 2,660,661 |

Source: Navarro County Tax Assessor-Collector

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

Table 8

| Collections - Year of Levy | | Collections in Subsequent Years | Total Collections To Date | |
|-------------------------------|---------|---------------------------------------|------------------------------|---------|
| Amount | Percent | | Amount | Percent |
| \$ 3,501,564 | 97.38% | \$ - | \$ 3,501,564 | 97.38% |
| 3,432,700 | 97.12% | 38,844 | 3,471,544 | 98.22% |
| 3,427,941 | 97.82% | 31,137 | 3,459,078 | 98.70% |
| 3,241,206 | 97.62% | 34,695 | 3,275,901 | 98.66% |
| 3,203,423 | 97.24% | 41,423 | 3,244,846 | 98.50% |
| 3,087,590 | 97.07% | 41,242 | 3,128,832 | 98.36% |
| 2,999,249 | 96.88% | 40,983 | 3,040,232 | 98.20% |
| 2,887,898 | 96.45% | 48,909 | 2,936,807 | 98.08% |
| 2,770,640 | 96.29% | 40,689 | 2,811,329 | 97.70% |
| 2,568,362 | 96.53% | 45,884 | 2,614,246 | 98.26% |

Navarro College District

Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

| | August 31, | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2014 |
| General Bonded Debt | | | | |
| General obligation bonds | \$ - | \$ - | \$ - | \$ - |
| Other Debt | | | | |
| Revenue bonds | 20,063,427 | 22,689,743 | 25,216,060 | 27,667,376 |
| Notes payable | - | - | - | - |
| Loans payable | 1,050,000 | 1,125,000 | 1,200,000 | 1,275,000 |
| Capital lease obligations | 3,060,000 | 3,260,000 | 3,450,000 | 3,496,116 |
| Total other debt | <u>24,173,427</u> | <u>27,074,743</u> | <u>29,866,060</u> | <u>32,438,492</u> |
| Total outstanding debt | <u>\$ 24,173,427</u> | <u>\$ 27,074,743</u> | <u>\$ 29,866,060</u> | <u>\$ 32,438,492</u> |
| Total Outstanding Debt Ratios | | | | |
| Per capita | \$ 498 | \$ 561 | \$ 620 | \$ 675 |
| Per student | 1,680 | 1,804 | 1,830 | 1,905 |
| As a percentage of taxable assessed value | 0.79% | 0.90% | 1.02% | 1.17% |
| As a percentage of personal income | 1.39% | 1.57% | 1.58% | 1.83% |

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

- (1) Fiscal years 2011 and 2010 were restated to properly report total outstanding debt.
- (2) Fiscal years 2013 and 2012 were restated for implementation of GASBS No. 65

Source: Navarro College District Finance Department

Table 9

| August 31, | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2013 (2) | 2012 (2) | 2011 (1) | 2010 (1) | 2009 | 2008 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 30,043,692 | 32,420,009 | 26,860,000 | 27,925,000 | 29,033,705 | 25,882,413 |
| - | - | - | - | 37,302 | 97,994 |
| 1,275,000 | 1,500,000 | 1,500,000 | 750,000 | - | - |
| 3,651,116 | 3,801,116 | 3,941,116 | 4,076,116 | 4,201,116 | 4,321,116 |
| 34,969,808 | 37,721,125 | 32,301,116 | 32,751,116 | 33,272,123 | 30,301,523 |
| <u>\$ 34,969,808</u> | <u>\$ 37,721,125</u> | <u>\$ 32,301,116</u> | <u>\$ 32,751,116</u> | <u>\$ 33,272,123</u> | <u>\$ 30,301,523</u> |
| \$ 700 | \$ 785 | \$ 677 | \$ 662 | \$ 673 | \$ 613 |
| 1,996 | 2,051 | 1,711 | 1,892 | 2,313 | 2,387 |
| 1.26% | 1.41% | 1.24% | 1.29% | 1.37% | 1.37% |
| 2.10% | 2.37% | 2.15% | 2.31% | 2.35% | 2.34% |

Navarro College District

**Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

| | For the Year Ended August 31, | | | |
|---|-------------------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Taxable Assessed Value | \$ 3,046,069,327 | \$ 2,994,142,529 | \$ 2,917,537,473 | \$ 2,765,697,752 |
| General Obligation Bonds | | | | |
| Statutory tax levy limit for debt service | \$ 15,230,347 | \$ 14,970,713 | \$ 14,587,687 | \$ 13,828,489 |
| Current year debt service requirements | - | - | - | - |
| Excess of statutory limit for debt service over current requirements | \$ 15,230,347 | \$ 14,970,713 | \$ 14,587,687 | \$ 13,828,489 |
| 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.

Table 10

| For the Year Ended August 31, | | | | | |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| <u>\$ 2,774,259,367</u> | <u>\$ 2,682,081,137</u> | <u>\$ 2,615,172,084</u> | <u>\$ 2,532,522,103</u> | <u>\$ 2,426,416,700</u> | <u>\$ 2,218,359,153</u> |
| \$ 13,871,297 | \$ 13,410,406 | \$ 13,075,860 | \$ 12,662,611 | \$ 12,132,084 | \$ 11,091,796 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 13,871,297</u> | <u>\$ 13,410,406</u> | <u>\$ 13,075,860</u> | <u>\$ 12,662,611</u> | <u>\$ 12,132,084</u> | <u>\$ 11,091,796</u> |
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Navarro College District

**Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | Pledged Revenues | | | | | |
|----------------|------------------------|-----------------|---------------------------|---------------|---------------------------------|-------------------------------|
| | Tuition Pledged (1) | Building Fee | Out of District Fee | Other Fees | Pledged Auxiliary Revenue | Less Auxiliary Expenses |
| 2017 | \$ 316,995 | \$ 3,961,300 | \$ 5,026,019 | \$ 2,824,645 | \$ 8,818,670 | \$ 8,904,115 |
| 2016 | 325,635 | 3,942,353 | 4,997,878 | 2,614,210 | 8,876,011 | 9,833,242 |
| 2015 | 340,350 | 4,203,104 | 5,564,752 | 2,832,475 | 9,027,034 | 10,609,202 |
| 2014 | 346,658 | 3,753,843 | 5,344,521 | 1,605,731 | 10,207,759 | 11,825,268 |
| 2013 | 348,578 | 3,816,433 | 5,624,975 | 1,673,432 | 10,545,568 | 11,504,077 |
| 2012 | 364,230 | 4,067,828 | 6,016,339 | 1,695,784 | 10,946,951 | 12,088,998 |
| 2011 | 374,798 | 3,950,605 | 5,863,890 | 1,739,898 | 10,844,702 | 11,880,415 |
| 2010 | 349,388 | 3,667,746 | 5,125,658 | 1,396,781 | 9,738,995 | 10,082,097 |
| 2009 | 316,725 | 3,080,219 | 4,129,212 | 1,151,811 | 8,977,605 | 9,252,131 |
| 2008 | 263,580 | 2,775,032 | 3,456,736 | 941,368 | 7,707,995 | 8,585,730 |

Notes:

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

Table 11

| | | | Debt Service Requirements | | | |
|---------------|-----------------|---------------|---------------------------|------------|--------------|----------------|
| Net Available | Interest Income | Total | Principal | Interest | Total | Coverage Ratio |
| \$ 12,043,514 | \$ 102,303 | \$ 12,145,817 | \$ 1,495,000 | \$ 740,656 | \$ 2,235,656 | 5.43 |
| 10,922,845 | 93,031 | 11,015,876 | 2,560,000 | 843,632 | 3,403,632 | 3.24 |
| 11,358,513 | 93,269 | 11,451,782 | 2,460,000 | 942,574 | 3,402,574 | 3.37 |
| 9,433,244 | 129,125 | 9,562,369 | 2,385,000 | 1,019,449 | 3,404,449 | 2.81 |
| 10,504,909 | 160,404 | 10,665,313 | 2,310,000 | 1,088,537 | 3,398,537 | 3.14 |
| 11,002,134 | 146,902 | 11,149,036 | 1,105,000 | 1,408,472 | 2,513,472 | 4.44 |
| 10,893,478 | 153,555 | 11,047,033 | 1,065,000 | 1,281,713 | 2,346,713 | 4.71 |
| 10,196,471 | 119,094 | 10,315,565 | 1,055,000 | 1,326,249 | 2,381,249 | 4.33 |
| 8,403,441 | 205,251 | 8,608,692 | 870,000 | 1,178,089 | 2,048,089 | 4.20 |
| 6,558,981 | 322,120 | 6,881,101 | 845,000 | 1,205,495 | 2,050,495 | 3.36 |



**Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)**

| Calendar Year | Navarro County Population | Navarro County Personal Income | Navarro County Personal Income Per Capita | Navarro County Unemployment Rate |
|---------------|---------------------------|--------------------------------|---|----------------------------------|
| 2016 | 48,523 | \$ 1,742,775,897 | \$ 36,096 | 4.2% |
| 2015 | 48,255 | 1,729,595,000 | 35,792 | 4.2% |
| 2014 | 48,195 | 1,887,318,000 | 39,245 | 5.2% |
| 2013 | 48,038 | 1,776,684,000 | 36,985 | 5.2% |
| 2012 | 49,979 | 1,666,050,000 | 34,725 | 7.9% |
| 2011 | 48,054 | 1,591,179,000 | 33,112 | 9.2% |
| 2010 | 47,735 | 1,503,732,000 | 31,467 | 9.7% |
| 2009 | 49,440 | 1,414,882,000 | 29,734 | 9.0% |
| 2008 | 49,456 | 1,417,643,000 | 29,903 | 8.0% |
| 2007 | 49,396 | 1,296,533,000 | 26,559 | 5.0% |

Source: Texas Workforce Commission

Note: The final 2016 amounts are not yet available and are estimated in the table above.

Navarro College District

Principal Employers
Last Ten Fiscal Years
(Unaudited)

| Employer | 2017 | | 2016 | | 2015 | | 2014 | |
|--|---------------------|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
| | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment |
| Navarro College (includes part time) | 1,042 | 4.87% | 1,042 | 4.84% | 1,090 | 5.02% | 1,106 | 5.21% |
| Russell Stover Candies (seasonal) | 850 | 3.97% | 850 | 3.95% | 850 | 3.91% | 850 | 4.00% |
| Corsicana ISD | 811 | 3.79% | 811 | 3.77% | 811 | 3.73% | 811 | 3.82% |
| Watkins Construction | 500 | 2.33% | 500 | 2.32% | 500 | 2.30% | - | 0.00% |
| Navarro Regional Hospital | 350 | 1.63% | 350 | 1.63% | 350 | 1.61% | 350 | 1.65% |
| Walmart Super Center | 350 | 1.63% | 350 | 1.63% | 350 | 1.61% | 350 | 1.65% |
| Guardian Industries, Corp. | 312 | 1.46% | 312 | 1.45% | 318 | 1.46% | 318 | 1.50% |
| Pactiv | 250 | 1.17% | - | 0.00% | - | 0.00% | - | 0.00% |
| Kohl's Distribution Center | 200 | 0.93% | 200 | 0.93% | 315 | 1.45% | 315 | 1.48% |
| Navarro County | 284 | 1.33% | 284 | 1.32% | 284 | 1.31% | 284 | 1.34% |
| City of Corsicana (includes part time) | 284 | 1.33% | 284 | 1.32% | 284 | 1.31% | 284 | 1.34% |
| Corsicana Bedding | 257 | 1.20% | 257 | 1.19% | 257 | 1.18% | 257 | 1.21% |
| Oil City Iron Works | 255 | 1.19% | 255 | 1.18% | 255 | 1.17% | 255 | 1.20% |
| Tru-Serve Distribution Center | 180 | 0.84% | 180 | 0.84% | 180 | 0.83% | 180 | 0.85% |
| Collin Street Bakery (seasonal) | 150 | 0.70% | 150 | 0.70% | 150 | 0.69% | 150 | 0.71% |
| Angels at Home | 150 | 0.70% | - | 0.00% | - | 0.00% | - | 0.00% |
| Heritage Oaks/Heritage Oaks West | 72 | 0.34% | 72 | 0.33% | 72 | 0.33% | 72 | 0.34% |
| NALCO Champion | 150 | 0.70% | 150 | 0.70% | - | 0.00% | - | 0.00% |
| Morgan Corp. | 149 | 0.70% | - | 0.00% | - | 0.00% | - | 0.00% |
| Community National Bank & Trust | 114 | 0.53% | - | 0.00% | - | 0.00% | - | 0.00% |
| Kohl's Call Center (Closed Corsicana facility) | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Lance (Closed the Corsicana facility) | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Home Depot Distribution Center (Closed Corsicana Facility) | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Total | 6,710 | 31.33% | 6,047 | 28.10% | 6,066 | 27.92% | 5,582 | 26.28% |

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

Table 13

| 2013 | | 2012 | | 2011 | | 2010 | | 2009 | | 2008 | |
|---------------------|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
| Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment | Number of Employees | Percentage of Total Employment |
| 1,134 | 5.50% | 1,107 | 5.43% | 1,064 | 5.33% | 982 | 4.95% | 950 | 4.75% | 886 | 4.52% |
| 795 | 3.85% | 680 | 3.34% | 680 | 3.41% | 680 | 3.43% | 825 | 4.12% | 825 | 4.20% |
| 800 | 3.88% | 811 | 3.98% | 811 | 4.07% | 811 | 4.09% | 802 | 4.01% | 802 | 4.09% |
| - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 385 | 1.87% | 354 | 1.74% | 354 | 1.77% | 354 | 1.78% | 350 | 1.75% | 350 | 1.78% |
| - | 0.00% | 325 | 1.59% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 360 | 1.75% | 318 | 1.56% | 318 | 1.59% | 318 | 1.60% | 390 | 1.95% | 390 | 1.99% |
| - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | 0 | 0.00% |
| 333 | 1.61% | 200 | 0.98% | 200 | 1.00% | 200 | 1.01% | 200 | 1.00% | 200 | 1.02% |
| 300 | 1.45% | 284 | 1.39% | 284 | 1.42% | 284 | 1.43% | 284 | 1.42% | 284 | 1.45% |
| 277 | 1.34% | 284 | 1.39% | 284 | 1.42% | 284 | 1.43% | 336 | 1.68% | 304 | 1.55% |
| 449 | 2.18% | 257 | 1.26% | 257 | 1.29% | 257 | 1.30% | 190 | 0.95% | 190 | 0.97% |
| 212 | 1.03% | 172 | 0.84% | 172 | 0.86% | 172 | 0.87% | 200 | 1.00% | 200 | 1.02% |
| 165 | 0.80% | 149 | 0.73% | 149 | 0.75% | 149 | 0.75% | 152 | 0.76% | 152 | 0.77% |
| 379 | 1.84% | 150 | 0.74% | 150 | 0.75% | 150 | 0.76% | 766 | 3.83% | 766 | 3.90% |
| - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 245 | 1.19% | 236 | 1.16% | 236 | 1.18% | - | 0.00% | - | 0.00% | - | 0.00% |
| - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| - | 0.00% | - | 0.00% | 216 | 1.08% | 216 | 1.09% | 250 | 1.25% | 250 | 1.27% |
| - | 0.00% | - | 0.00% | 148 | 0.74% | 148 | 0.75% | 170 | 0.85% | 170 | 0.87% |
| - | 0.00% | - | 0.00% | 145 | 0.73% | 145 | 0.73% | 250 | 1.25% | 155 | 0.79% |
| 5,834 | 28.28% | 5,327 | 26.14% | 5,468 | 27.41% | 5,150 | 25.96% | 6,115 | 30.55% | 5,924 | 30.19% |

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 |
| 2017 | \$ 15,302,879 | 14,388 | \$ 1,064 |
| 2016 | 15,288,429 | 15,007 | 1,019 |
| 2015 | 16,262,313 | 16,316 | 997 |
| 2014 | 16,319,691 | 17,028 | 958 |
| 2013 | 15,861,991 | 17,518 | 905 |
| 2012 | 15,639,707 | 18,392 | 850 |
| 2011 | 14,070,243 | 18,877 | 745 |
| 2010 | 14,447,465 | 17,311 | 835 |
| 2009 | 12,465,236 | 14,384 | 867 |
| 2008 | 12,124,659 | 12,697 | 955 |

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.

Table 14

| Appropriation per Contact Hour | | | |
|--------------------------------|------------------------------|---------------------------|---|
| Academic Contact Hours | Voc/Tech Contact Hours | Total Contact Hours | State Appropriation per Contact Hour |
| 2,768,430 | 1,302,964 | 4,071,394 | \$ 3.76 |
| 2,861,376 | 1,443,484 | 4,304,860 | 3.55 |
| 3,057,872 | 1,647,476 | 4,705,348 | 3.46 |
| 3,258,256 | 1,616,032 | 4,874,288 | 3.35 |
| 3,392,912 | 1,675,572 | 5,068,484 | 3.13 |
| 3,634,186 | 1,612,596 | 5,246,782 | 2.98 |
| 3,682,160 | 1,833,744 | 5,515,904 | 2.55 |
| 3,371,872 | 1,683,760 | 5,055,632 | 2.86 |
| 2,759,980 | 1,476,690 | 4,236,670 | 2.94 |
| 2,512,272 | 1,191,867 | 3,704,139 | 3.27 |

Navarro College District

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

| | 2017 | 2016 | 2015 | 2014 |
|----------------------------------|-----------|-----------|-----------|-----------|
| Faculty | | | | |
| Full-Time | 136 | 133 | 128 | 127 |
| Part-Time | 361 | 382 | 405 | 415 |
| Total | 497 | 515 | 533 | 542 |
| Full-Time | 27.4% | 25.8% | 24.0% | 23.4% |
| Part-Time | 72.6% | 74.2% | 76.0% | 76.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| Average Annual Faculty Salary | \$ 55,863 | \$ 55,134 | \$ 54,396 | \$ 55,602 |
| Staff and Administrators | | | | |
| Full-Time | 234 | 252 | 244 | 244 |
| Part-Time | 119 | 89 | 94 | 79 |
| Total | 353 | 341 | 338 | 323 |
| Full-Time | 66.3% | 73.9% | 72.2% | 75.5% |
| Part-Time | 33.7% | 26.1% | 27.8% | 24.5% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

Table 15

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 121 | 122 | 122 | 123 | 113 | 112 |
| <u>446</u> | <u>540</u> | <u>355</u> | <u>364</u> | <u>355</u> | <u>361</u> |
| <u>567</u> | <u>662</u> | <u>477</u> | <u>487</u> | <u>468</u> | <u>473</u> |
| 21.3% | 18.4% | 25.6% | 25.3% | 24.1% | 23.7% |
| <u>78.7%</u> | <u>81.6%</u> | <u>74.4%</u> | <u>74.7%</u> | <u>75.9%</u> | <u>76.3%</u> |
| <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |
| <u>\$ 53,781</u> | <u>\$ 52,681</u> | <u>\$ 52,138</u> | <u>\$ 50,232</u> | <u>\$ 51,678</u> | <u>\$ 47,585</u> |
| 252 | 231 | 230 | 214 | 208 | 196 |
| <u>71</u> | <u>94</u> | <u>95</u> | <u>100</u> | <u>31</u> | <u>132</u> |
| <u>323</u> | <u>325</u> | <u>325</u> | <u>314</u> | <u>239</u> | <u>328</u> |
| 78.0% | 71.1% | 70.8% | 87.0% | 59.8% | 63.0% |
| <u>22.0%</u> | <u>28.9%</u> | <u>29.2%</u> | <u>13.0%</u> | <u>40.2%</u> | <u>37.0%</u> |
| <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Navarro College District

**Enrollment Details
Last Ten Fiscal Years
(Unaudited)**

| | Fall 2016 | | Fall 2015 | | Fall 2014 | | Fall 2013 | |
|-------------------------------------|--------------|----------------|--------------|----------------|--------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Student Classification | | | | | | | | |
| 00-30 hours | 6,741 | 73.03% | 6,772 | 71.45% | 7,036 | 70.37% | 7,353 | 71.69% |
| 31-60 hours | 1,592 | 17.25% | 1,741 | 18.37% | 1,895 | 18.95% | 1,871 | 18.24% |
| > 60 hours | 897 | 9.72% | 965 | 10.18% | 1,068 | 10.68% | 1,033 | 10.07% |
| Total | 9,230 | 100.00% | 9,478 | 100.00% | 9,999 | 100.00% | 10,257 | 100.00% |
| Semester Hour Load | | | | | | | | |
| Less than 3 | 60 | 0.65% | 239 | 2.52% | 220 | 2.20% | 251 | 2.45% |
| 3-5 semester hours | 2,196 | 23.79% | 1,931 | 20.37% | 1,902 | 19.02% | 1,717 | 16.74% |
| 6-8 semester hours | 2,346 | 25.42% | 2,370 | 25.01% | 2,345 | 23.45% | 2,236 | 21.80% |
| 9-11 semester hours | 1,447 | 15.68% | 1,383 | 14.59% | 1,588 | 15.88% | 1,604 | 15.64% |
| 12-14 semester hours | 1,921 | 20.81% | 2,327 | 24.55% | 2,561 | 25.61% | 2,739 | 26.70% |
| 15-17 semester hours | 1,037 | 11.24% | 1,040 | 10.97% | 1,102 | 11.02% | 1,411 | 13.76% |
| 18 & over | 223 | 2.42% | 188 | 1.98% | 281 | 2.81% | 299 | 2.92% |
| Total | 9,230 | 100.00% | 9,478 | 100.00% | 9,999 | 100.00% | 10,257 | 100.00% |
| Tuition Status | | | | | | | | |
| Texas Resident (in-District) | 1,633 | 17.69% | 1,809 | 19.09% | 1,814 | 18.14% | 1,927 | 18.79% |
| Texas Resident (out-of-District) | 7,320 | 79.31% | 7,446 | 78.56% | 7,920 | 79.21% | 8,052 | 78.50% |
| Non-Resident Tuition | 277 | 3.00% | 223 | 2.35% | 265 | 2.65% | 278 | 2.71% |
| Total | 9,230 | 100.00% | 9,478 | 100.00% | 9,999 | 100.00% | 10,257 | 100.00% |

Table 16

| Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|---------------|----------------|---------------|----------------|---------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 7,060 | 69.91% | 7,271 | 69.69% | 7,311 | 71.92% | 6,701 | 72.84% | 6,191 | 74.34% | 5,410 | 71.56% |
| 1,958 | 19.39% | 2,022 | 19.38% | 1,841 | 18.11% | 1,615 | 17.55% | 1,403 | 16.85% | 1,461 | 19.33% |
| 1,080 | 10.70% | 1,140 | 10.93% | 1,014 | 9.97% | 884 | 9.61% | 734 | 8.81% | 689 | 9.11% |
| <u>10,098</u> | <u>100.00%</u> | <u>10,433</u> | <u>100.00%</u> | <u>10,166</u> | <u>100.00%</u> | <u>9,200</u> | <u>100.00%</u> | <u>8,328</u> | <u>100.00%</u> | <u>7,560</u> | <u>100.00%</u> |
| 201 | 1.99% | 171 | 1.64% | 159 | 1.56% | 94 | 1.02% | 673 | 8.08% | 385 | 5.09% |
| 1,592 | 15.77% | 1,646 | 15.78% | 1,820 | 17.90% | 1,769 | 19.23% | 1,458 | 17.51% | 1,494 | 19.76% |
| 2,173 | 21.52% | 2,176 | 20.86% | 1,998 | 19.65% | 1,856 | 20.17% | 1,530 | 18.37% | 1,414 | 18.70% |
| 1,422 | 14.08% | 1,514 | 14.51% | 1,402 | 13.79% | 1,198 | 13.02% | 1,014 | 12.18% | 885 | 11.71% |
| 2,866 | 28.38% | 3,118 | 29.89% | 2,987 | 29.38% | 2,532 | 27.52% | 2,034 | 24.42% | 1,948 | 25.77% |
| 1,480 | 14.66% | 1,460 | 13.99% | 1,409 | 13.86% | 1,361 | 14.79% | 1,296 | 15.56% | 1,148 | 15.19% |
| 364 | 3.60% | 348 | 3.34% | 391 | 3.85% | 390 | 4.24% | 323 | 3.88% | 286 | 3.78% |
| <u>10,098</u> | <u>100.00%</u> | <u>10,433</u> | <u>100.00%</u> | <u>10,166</u> | <u>100.00%</u> | <u>9,200</u> | <u>100.00%</u> | <u>8,328</u> | <u>100.00%</u> | <u>7,560</u> | <u>100.00%</u> |
| 1,922 | 19.03% | 1,996 | 19.13% | 2,028 | 19.95% | 1,816 | 19.74% | 1,777 | 21.34% | 1,645 | 21.76% |
| 7,883 | 78.06% | 8,102 | 77.66% | 7,830 | 77.02% | 7,131 | 77.51% | 6,304 | 75.70% | 5,669 | 74.99% |
| 293 | 2.90% | 335 | 3.21% | 308 | 3.03% | 253 | 2.75% | 247 | 2.97% | 246 | 3.25% |
| <u>10,098</u> | <u>100.00%</u> | <u>10,433</u> | <u>100.00%</u> | <u>10,166</u> | <u>100.00%</u> | <u>9,200</u> | <u>100.00%</u> | <u>8,328</u> | <u>100.00%</u> | <u>7,560</u> | <u>100.00%</u> |

Navarro College District

Student Profile
Last Ten Fiscal Years
(Unaudited)

| | Fall 2016 | | Fall 2015 | | Fall 2014 | | Fall 2013 | |
|----------------------|--------------|----------------|--------------|----------------|--------------|----------------|---------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Gender | | | | | | | | |
| Female | 5,270 | 57.10% | 5,565 | 58.71% | 5,904 | 59.05% | 6,103 | 59.50% |
| Male | 3,960 | 42.90% | 3,913 | 41.29% | 4,095 | 40.95% | 4,154 | 40.50% |
| Total | <u>9,230</u> | <u>100.00%</u> | <u>9,478</u> | <u>100.00%</u> | <u>9,999</u> | <u>100.00%</u> | <u>10,257</u> | <u>100.00%</u> |
| Ethnic Origin | | | | | | | | |
| White | 5,208 | 56.42% | 5,404 | 57.02% | 5,710 | 57.11% | 5,672 | 55.30% |
| Hispanic | 1,980 | 21.45% | 1,830 | 19.31% | 1,795 | 17.95% | 1,929 | 18.81% |
| African American | 1,599 | 17.32% | 1,859 | 19.61% | 2,109 | 21.09% | 2,333 | 22.75% |
| Asian | 102 | 1.11% | 80 | 0.84% | 74 | 0.74% | 70 | 0.68% |
| Foreign | 130 | 1.41% | 111 | 1.17% | 131 | 1.31% | 129 | 1.26% |
| Native American | 62 | 0.67% | 58 | 0.61% | 62 | 0.62% | 47 | 0.46% |
| Other | 149 | 1.61% | 136 | 1.43% | 118 | 1.18% | 77 | 0.75% |
| Total | <u>9,230</u> | <u>100.00%</u> | <u>9,478</u> | <u>100.00%</u> | <u>9,999</u> | <u>100.00%</u> | <u>10,257</u> | <u>100.00%</u> |
| Age | | | | | | | | |
| Under 18 | 3,383 | 36.65% | 3,037 | 32.04% | 2,474 | 24.74% | 2,428 | 23.67% |
| 18 - 21 | 3,393 | 36.76% | 3,584 | 37.81% | 3,855 | 38.55% | 4,052 | 39.50% |
| 22 - 24 | 694 | 7.52% | 787 | 8.30% | 905 | 9.05% | 923 | 9.00% |
| 25 - 35 | 1,070 | 11.59% | 1,217 | 12.84% | 1,587 | 15.87% | 1,657 | 16.15% |
| 36 - 50 | 560 | 6.07% | 685 | 7.23% | 927 | 9.27% | 933 | 9.10% |
| 51 & over | 130 | 1.41% | 168 | 1.77% | 251 | 2.51% | 264 | 2.57% |
| Total | <u>9,230</u> | <u>100.00%</u> | <u>9,478</u> | <u>100.00%</u> | <u>9,999</u> | <u>100.00%</u> | <u>10,257</u> | <u>100.00%</u> |
| Average Age | | 21 | | 22 | | 23 | | 23 |

Table 17

| Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|---------------|----------------|---------------|----------------|---------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 6,087 | 60.28% | 6,379 | 61.14% | 6,218 | 61.16% | 5,643 | 61.34% | 5,147 | 61.80% | 4,733 | 62.61% |
| 4,011 | 39.72% | 4,054 | 38.86% | 3,948 | 38.84% | 3,557 | 38.66% | 3,181 | 38.20% | 2,827 | 37.39% |
| <u>10,098</u> | <u>100.00%</u> | <u>10,433</u> | <u>100.00%</u> | <u>10,166</u> | <u>100.00%</u> | <u>9,200</u> | <u>100.00%</u> | <u>8,328</u> | <u>100.00%</u> | <u>7,560</u> | <u>100.00%</u> |
| 5,759 | 57.03% | 6,048 | 57.97% | 6,151 | 60.51% | 5,636 | 61.26% | 5,303 | 63.68% | 4,842 | 64.05% |
| 1,774 | 17.57% | 1,639 | 15.71% | 1,492 | 14.68% | 1,363 | 14.82% | 1,183 | 14.21% | 1,451 | 19.19% |
| 2,200 | 21.79% | 2,375 | 22.76% | 2,171 | 21.36% | 1,903 | 20.68% | 1,567 | 18.82% | 995 | 13.16% |
| 54 | 0.53% | 44 | 0.42% | 26 | 0.26% | 87 | 0.95% | 67 | 0.80% | 56 | 0.74% |
| 159 | 1.57% | 174 | 1.67% | 164 | 1.61% | 153 | 1.66% | 156 | 1.87% | 160 | 2.12% |
| 61 | 0.60% | 53 | 0.51% | 71 | 0.70% | 52 | 0.57% | 52 | 0.62% | 53 | 0.70% |
| 91 | 0.90% | 100 | 0.96% | 91 | 0.90% | 6 | 0.07% | - | 0.00% | 3 | 0.04% |
| <u>10,098</u> | <u>100.00%</u> | <u>10,433</u> | <u>100.00%</u> | <u>10,166</u> | <u>100.00%</u> | <u>9,200</u> | <u>100.00%</u> | <u>8,328</u> | <u>100.00%</u> | <u>7,560</u> | <u>100.00%</u> |
| 2,206 | 21.85% | 1,891 | 18.13% | 1,848 | 18.18% | 1,917 | 20.84% | 2,138 | 25.67% | 1,750 | 23.15% |
| 3,959 | 39.21% | 4,204 | 40.30% | 4,131 | 40.64% | 3,723 | 40.47% | 3,313 | 39.78% | 3,079 | 40.73% |
| 972 | 9.63% | 1,050 | 10.06% | 990 | 9.74% | 969 | 10.53% | 756 | 9.08% | 654 | 8.65% |
| 1,704 | 16.87% | 1,924 | 18.44% | 1,874 | 18.43% | 1,534 | 16.67% | 1,211 | 14.54% | 1,177 | 15.57% |
| 1,014 | 10.04% | 1,112 | 10.66% | 1,065 | 10.48% | 898 | 9.76% | 780 | 9.37% | 762 | 10.08% |
| 243 | 2.41% | 252 | 2.42% | 258 | 2.54% | 159 | 1.73% | 130 | 1.56% | 138 | 1.83% |
| <u>10,098</u> | <u>100.00%</u> | <u>10,433</u> | <u>100.00%</u> | <u>10,166</u> | <u>100.00%</u> | <u>9,200</u> | <u>100.00%</u> | <u>8,328</u> | <u>100.00%</u> | <u>7,560</u> | <u>100.00%</u> |
| 24 | | 24 | | 24 | | 23 | | 23 | | 23 | |

Navarro College District

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

| Name | 2015 - 2016 Graduate as of Fall 2016 | | | | |
|--|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------|-----------------------------------|
| | Transfer Student Count Academic | Transfer Student Count Technical | Transfer Student Count Tech-Prep | Total of all Sample Transfer Students | % of all Sample Transfer Students |
| 1 Angelo State University | 5 | - | - | 5 | 0.34% |
| 2 Lamar University | 5 | 1 | 1 | 7 | 0.48% |
| 3 Midwestern State University | 9 | - | 1 | 10 | 0.69% |
| 4 Prairie View A&M University | 3 | 1 | - | 4 | 0.28% |
| 5 Sam Houston State University | 93 | 5 | 4 | 102 | 7.03% |
| 6 Stephen F. Austin State University | 56 | - | 2 | 58 | 4.00% |
| 7 Sul Ross State University | 3 | - | - | 3 | 0.21% |
| 8 Sul Ross State University - Rio Grande College | - | - | - | - | 0.00% |
| 9 Tarleton State University | 166 | 8 | 8 | 182 | 12.54% |
| 10 Texas A&M International University | - | - | - | - | 0.00% |
| 11 Texas A&M University | 134 | 5 | 1 | 140 | 9.65% |
| 12 Texas A&M University at Commerce | 202 | 13 | 4 | 219 | 15.09% |
| 13 Texas A&M University at Corpus Christi | 15 | 1 | 1 | 17 | 1.17% |
| 14 Texas A&M University at Galveston | 5 | - | - | 5 | 0.34% |
| 15 Texas A&M University at Kingsville | 3 | - | - | 3 | 0.21% |
| 16 Texas Southern University | 5 | 1 | - | 6 | 0.41% |
| 17 Texas State University | 73 | 5 | 1 | 79 | 5.44% |
| 18 Texas Tech University | 71 | 3 | 1 | 75 | 5.17% |
| 19 Texas Woman's University | 27 | 3 | 1 | 31 | 2.14% |
| 20 The University of Texas - Pan American | - | - | - | - | 0.00% |
| 21 The University of Texas at Arlington | 186 | 21 | 4 | 211 | 14.54% |
| 22 The University of Texas at Austin | 28 | 1 | - | 29 | 2.00% |
| 23 The University of Texas at Dallas | 29 | 1 | 1 | 31 | 2.14% |
| 24 The University of Texas at El Paso | 2 | 1 | - | 3 | 0.21% |
| 25 The University of Texas at San Antonio | 16 | 1 | 1 | 18 | 1.24% |
| 26 The University of Texas at Tyler | 40 | 9 | 1 | 50 | 3.45% |
| 27 The University of Texas of the Permian Basin | 5 | - | - | 5 | 0.34% |
| 28 University of Houston | 12 | - | - | 12 | 0.83% |
| 29 University of Houston at Downtown | 1 | - | - | 1 | 0.07% |
| 30 University of Houston at Victoria | - | - | - | - | 0.00% |
| 31 University of North Texas | 114 | 6 | 1 | 121 | 8.34% |
| 32 University of North Texas at Dallas | 16 | 2 | - | 18 | 1.24% |
| 33 West Texas A&M University | 5 | 1 | - | 6 | 0.41% |
| Totals | 1,329 | 89 | 33 | 1,451 | 100.00% |

Source: Texas Higher Education Coordinating Board

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

Table 18
Page 1 of 3

| 2014 - 2015 Graduate as of Fall 2015 | | | | | 2013 - 2014 Graduate as of Fall 2014 | | | | |
|--------------------------------------|------------------------|------------------------|---------------------------------------|-----------------------------------|--------------------------------------|------------------------|------------------------|---------------------------------------|-----------------------------------|
| Transfer Student Count | Transfer Student Count | Transfer Student Count | Total of all Sample Transfer Students | % of all Sample Transfer Students | Transfer Student Count | Transfer Student Count | Transfer Student Count | Total of all Sample Transfer Students | % of all Sample Transfer Students |
| Academic | Technical | Tech-Prep | | | Academic | Technical | Tech-Prep | | |
| 11 | 1 | 1 | 13 | 0.89% | 10 | 1 | 1 | 12 | 0.77% |
| 10 | 1 | - | 11 | 0.75% | 11 | - | - | 11 | 0.71% |
| 15 | - | - | 15 | 1.02% | 17 | 1 | 1 | 19 | 1.22% |
| 7 | 1 | - | 8 | 0.54% | 3 | 2 | 1 | 6 | 0.39% |
| 79 | 1 | 4 | 84 | 5.72% | 76 | 4 | 2 | 82 | 5.27% |
| 60 | 7 | 2 | 69 | 4.70% | 61 | 7 | 4 | 72 | 4.62% |
| 1 | - | - | 1 | 0.07% | 1 | - | - | 1 | 0.06% |
| - | - | - | 0 | 0.00% | - | - | - | - | 0.00% |
| 145 | 13 | 11 | 169 | 11.51% | 149 | 11 | 7 | 167 | 10.73% |
| - | - | - | 0 | 0.00% | - | - | 1 | 1 | 0.06% |
| 161 | - | 3 | 164 | 11.17% | 150 | 5 | 5 | 160 | 10.28% |
| 161 | 13 | 7 | 181 | 12.33% | 182 | 20 | 15 | 217 | 13.94% |
| 8 | 1 | - | 9 | 0.61% | 8 | 1 | 1 | 10 | 0.64% |
| 6 | - | - | 6 | 0.41% | 7 | - | 1 | 8 | 0.51% |
| 3 | - | - | 3 | 0.20% | 7 | 1 | - | 8 | 0.51% |
| 6 | - | - | 6 | 0.41% | 6 | - | 1 | 7 | 0.45% |
| 101 | 2 | 1 | 104 | 7.08% | 101 | 5 | 2 | 108 | 6.94% |
| 86 | 6 | 1 | 93 | 6.34% | 86 | 7 | 1 | 94 | 6.04% |
| 33 | 8 | - | 41 | 2.79% | 44 | 4 | - | 48 | 3.08% |
| - | - | - | 0 | 0.00% | 2 | - | - | 2 | 0.13% |
| 198 | 30 | 2 | 230 | 15.67% | 195 | 19 | 8 | 222 | 14.26% |
| 34 | 1 | - | 35 | 2.38% | 30 | 1 | 2 | 33 | 2.12% |
| 30 | 1 | 1 | 32 | 2.18% | 22 | - | 1 | 23 | 1.48% |
| 1 | - | - | 1 | 0.07% | 0 | - | - | 0 | 0.00% |
| 7 | - | - | 7 | 0.48% | 11 | - | - | 11 | 0.71% |
| 41 | 2 | 1 | 44 | 3.00% | 40 | 3 | 1 | 44 | 2.83% |
| 5 | - | - | 5 | 0.34% | 4 | - | - | 4 | 0.26% |
| 14 | 1 | - | 15 | 1.02% | 19 | - | 1 | 20 | 1.28% |
| - | - | - | 0 | 0.00% | 2 | 1 | - | 3 | 0.19% |
| - | - | - | 0 | 0.00% | 3 | - | 1 | 4 | 0.26% |
| 104 | 1 | - | 105 | 7.15% | 115 | 2 | 3 | 120 | 7.71% |
| 12 | 3 | 1 | 16 | 1.09% | 29 | 2 | 1 | 32 | 2.06% |
| 1 | - | - | 1 | 0.07% | 5 | 3 | - | 8 | 0.51% |
| <u>1,340</u> | <u>93</u> | <u>35</u> | <u>1,468</u> | <u>100.00%</u> | <u>1,396</u> | <u>100</u> | <u>61</u> | <u>1,557</u> | <u>100.00%</u> |

Navarro College District

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

| Name | 2012 - 2013 Graduate as of Fall 2013 | | | | |
|--|--------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|
| | Transfer Student Count Academic | Transfer Student Count Technical | Transfer Student Count Tech-Prep | Total of all Sample Transfer Students | % of all Sample Transfer Students |
| 1 Angelo State University | 9 | 2 | 2 | 13 | 0.87% |
| 2 Lamar University | 7 | - | 2 | 9 | 0.60% |
| 3 Midwestern State University | 7 | - | 1 | 8 | 0.54% |
| 4 Prairie View A&M University | 6 | 2 | 0 | 8 | 0.54% |
| 5 Sam Houston State University | 104 | 5 | 5 | 114 | 7.63% |
| 6 Stephen F. Austin State University | 64 | 3 | 2 | 69 | 4.62% |
| 7 Sul Ross State University | - | 1 | - | 1 | 0.07% |
| 8 Sul Ross State University - Rio Grande College | - | - | - | - | 0.00% |
| 9 Tarleton State University | 151 | 14 | 13 | 178 | 11.91% |
| 10 Texas A&M International University | - | - | - | 0 | 0.00% |
| 11 Texas A&M University | 136 | 6 | 7 | 149 | 9.97% |
| 12 Texas A&M University at Commerce | 185 | 15 | 3 | 203 | 13.59% |
| 13 Texas A&M University at Corpus Christi | 16 | - | 1 | 17 | 1.14% |
| 14 Texas A&M University at Galveston | 3 | - | - | 3 | 0.20% |
| 15 Texas A&M University at Kingsville | 2 | 3 | - | 5 | 0.33% |
| 16 Texas Southern University | 5 | - | 1 | 6 | 0.40% |
| 17 Texas State University | 77 | - | 2 | 79 | 5.29% |
| 18 Texas Tech University | 66 | 4 | 2 | 72 | 4.82% |
| 19 Texas Woman's University | 35 | 4 | 2 | 41 | 2.74% |
| 20 The University of Texas - Pan American | 2 | - | 1 | 3 | 0.20% |
| 21 The University of Texas at Arlington | 169 | 24 | 8 | 201 | 13.45% |
| 22 The University of Texas at Austin | 40 | 1 | 2 | 43 | 2.88% |
| 23 The University of Texas at Dallas | 33 | 1 | - | 34 | 2.28% |
| 24 The University of Texas at El Paso | - | - | - | - | 0.00% |
| 25 The University of Texas at San Antonio | 8 | 1 | - | 9 | 0.60% |
| 26 The University of Texas at Tyler | 38 | 6 | - | 44 | 2.95% |
| 27 The University of Texas of the Permian Basin | 7 | 1 | - | 8 | 0.54% |
| 28 University of Houston | 14 | - | - | 14 | 0.94% |
| 29 University of Houston at Downtown | 2 | - | - | 2 | 0.13% |
| 30 University of Houston at Victoria | - | - | - | - | 0.00% |
| 31 University of North Texas | 122 | 7 | 6 | 135 | 9.04% |
| 32 University of North Texas at Dallas | 20 | - | 1 | 21 | 1.41% |
| 33 West Texas A&M University | 5 | - | - | 5 | 0.33% |
| Totals | 1,333 | 100 | 61 | 1,494 | 100.00% |

Source: Texas Higher Education Coordinating Board

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

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| 2011 - 2012 Graduate as of Fall 2012 | | | | | 2010 - 2011 Graduate as of Fall 2011 | | | | |
|--------------------------------------|------------------------|------------------------|---------------------------------------|-----------------------------------|--------------------------------------|------------------------|------------------------|---------------------------------------|-----------------------------------|
| Transfer Student Count | Transfer Student Count | Transfer Student Count | Total of all Sample Transfer Students | % of all Sample Transfer Students | Transfer Student Count | Transfer Student Count | Transfer Student Count | Total of all Sample Transfer Students | % of all Sample Transfer Students |
| Academic | Technical | Tech-Prep | | | Academic | Technical | Tech-Prep | | |
| 4 | 1 | - | 5 | 0.32% | 9 | - | 1 | 10 | 0.68% |
| 5 | - | 1 | 6 | 0.39% | 12 | 1 | - | 13 | 0.89% |
| 11 | 2 | 1 | 14 | 0.91% | 8 | 1 | 1 | 10 | 0.68% |
| 8 | 2 | 1 | 11 | 0.71% | 5 | 2 | 2 | 9 | 0.61% |
| 77 | 6 | 5 | 88 | 5.70% | 79 | 5 | 7 | 91 | 6.20% |
| 86 | 7 | 6 | 99 | 6.41% | 75 | 6 | 6 | 87 | 5.93% |
| 1 | - | - | 1 | 0.06% | 1 | - | - | 1 | 0.07% |
| - | - | - | - | 0.00% | - | - | - | - | 0.00% |
| 125 | 9 | 5 | 139 | 9.00% | 74 | 7 | 6 | 87 | 5.93% |
| - | - | - | - | 0.00% | - | - | - | - | 0.00% |
| 144 | 7 | 5 | 156 | 10.10% | 117 | 6 | 7 | 130 | 8.86% |
| 230 | 12 | 11 | 253 | 16.39% | 266 | 12 | 15 | 293 | 19.97% |
| 13 | 2 | - | 15 | 0.97% | 7 | - | - | 7 | 0.48% |
| 5 | - | - | 5 | 0.32% | 6 | - | - | 6 | 0.41% |
| 1 | 1 | - | 2 | 0.13% | 2 | 1 | - | 3 | 0.20% |
| 5 | - | - | 5 | 0.32% | 6 | - | - | 6 | 0.41% |
| 55 | - | 2 | 57 | 3.69% | 65 | 2 | 1 | 68 | 4.64% |
| 63 | 4 | 5 | 72 | 4.66% | 68 | 3 | 6 | 77 | 5.25% |
| 44 | 5 | 2 | 51 | 3.30% | 32 | 4 | 3 | 39 | 2.66% |
| - | - | - | - | 0.00% | 1 | - | 1 | 2 | 0.14% |
| 194 | 15 | 8 | 217 | 14.05% | 166 | 17 | 10 | 193 | 13.16% |
| 57 | 2 | 1 | 60 | 3.89% | 55 | 1 | 7 | 63 | 4.29% |
| 20 | 1 | 2 | 23 | 1.49% | 24 | - | - | 24 | 1.64% |
| - | - | - | - | 0.00% | 1 | - | - | 1 | 0.07% |
| 13 | - | 1 | 14 | 0.91% | 15 | - | - | 15 | 1.02% |
| 50 | 3 | 1 | 54 | 3.50% | 41 | 4 | 2 | 47 | 3.20% |
| 11 | - | - | 11 | 0.71% | 2 | - | - | 2 | 0.14% |
| 5 | 1 | 1 | 7 | 0.45% | 22 | - | 1 | 23 | 1.57% |
| 4 | - | 1 | 5 | 0.32% | 2 | - | - | 2 | 0.14% |
| - | 1 | - | 1 | 0.06% | - | - | - | - | 0.00% |
| 122 | 4 | 4 | 130 | 8.42% | 110 | 5 | 8 | 123 | 8.38% |
| 27 | 3 | 5 | 35 | 2.27% | 23 | - | 1 | 24 | 1.64% |
| 7 | 1 | - | 8 | 0.52% | 9 | 1 | 1 | 11 | 0.75% |
| <u>1,387</u> | <u>89</u> | <u>68</u> | <u>1,544</u> | <u>100.00%</u> | <u>1,303</u> | <u>78</u> | <u>86</u> | <u>1,467</u> | <u>100.00%</u> |



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

| Name | 2009 - 2010 Graduate as of Fall 2010 | | | | |
|--|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------|-----------------------------------|
| | Transfer Student Count Academic | Transfer Student Count Technical | Transfer Student Count Tech-Prep | Total of all Sample Transfer Students | % of all Sample Transfer Students |
| 1 Angelo State University | 10 | 3 | 1 | 14 | 0.94% |
| 2 Lamar University | 8 | 1 | - | 9 | 0.61% |
| 3 Midwestern State University | 9 | - | 2 | 11 | 0.74% |
| 4 Prairie View A&M University | 7 | 3 | - | 10 | 0.67% |
| 5 Sam Houston State University | 85 | 9 | 4 | 98 | 6.60% |
| 6 Stephen F. Austin State University | 69 | 2 | 8 | 79 | 5.32% |
| 7 Sul Ross State University | 2 | - | - | 2 | 0.13% |
| 8 Sul Ross State University - Rio Grande College | - | - | - | - | 0.00% |
| 9 Tarleton State University | 53 | 9 | 5 | 67 | 4.51% |
| 10 Texas A&M International University | - | - | - | - | 0.00% |
| 11 Texas A&M University | 119 | 3 | 6 | 128 | 8.63% |
| 12 Texas A&M University at Commerce | 301 | 4 | 9 | 314 | 21.16% |
| 13 Texas A&M University at Corpus Christi | 6 | 2 | 2 | 10 | 0.67% |
| 14 Texas A&M University at Galveston | 4 | 1 | - | 5 | 0.34% |
| 15 Texas A&M University at Kingsville | 3 | - | - | 3 | 0.20% |
| 16 Texas Southern University | 7 | - | 1 | 8 | 0.54% |
| 17 Texas State University | 49 | 5 | 4 | 58 | 3.91% |
| 18 Texas Tech University | 72 | 1 | 6 | 79 | 5.32% |
| 19 Texas Woman's University | 22 | 2 | - | 24 | 1.62% |
| 20 The University of Texas - Pan American | 1 | - | - | 1 | 0.07% |
| 21 The University of Texas at Arlington | 178 | 24 | 9 | 211 | 14.22% |
| 22 The University of Texas at Austin | 62 | 2 | 9 | 73 | 4.92% |
| 23 The University of Texas at Dallas | 13 | - | 4 | 17 | 1.15% |
| 24 The University of Texas at El Paso | 1 | - | - | 1 | 0.07% |
| 25 The University of Texas at San Antonio | 8 | 2 | 1 | 11 | 0.74% |
| 26 The University of Texas at Tyler | 35 | 4 | 5 | 44 | 2.96% |
| 27 The University of Texas of the Permian Basin | 1 | - | - | 1 | 0.07% |
| 28 University of Houston | 14 | - | - | 14 | 0.94% |
| 29 University of Houston at Downtown | 1 | - | - | 1 | 0.07% |
| 30 University of Houston at Victoria | 1 | - | - | 1 | 0.07% |
| 31 University of North Texas | 133 | 2 | 12 | 147 | 9.91% |
| 32 University of North Texas at Dallas | 31 | 3 | 2 | 36 | 2.43% |
| 33 West Texas A&M University | 5 | 1 | 1 | 7 | 0.47% |
| Totals | 1,310 | 83 | 91 | 1,484 | 100.00% |

Source: Texas Higher Education Coordinating Board

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

Navarro College District

**Capital Asset Information
Last Ten Fiscal Years
(Unaudited)**

| | 2017 | 2016 | 2015 | 2014 |
|---|---------|---------|---------|---------|
| Academic buildings | 22 | 22 | 22 | 22 |
| Square footage (in thousands) | 355,002 | 355,002 | 355,002 | 355,002 |
| Libraries | 3 | 3 | 3 | 3 |
| Square footage (in thousands) | 29,540 | 29,540 | 29,540 | 29,540 |
| Number of Volumes (in thousands) | 60,617 | 56,507 | 59,898 | 60,894 |
| Administrative and support buildings | 5 | 5 | 5 | 5 |
| Square footage (in thousands) | 108,847 | 108,847 | 108,847 | 104,287 |
| Dormitories/Apartments | 24 | 24 | 24 | 24 |
| Square footage (in thousands) | 169,304 | 169,304 | 169,304 | 169,304 |
| Number of Beds | 860 | 860 | 860 | 860 |
| Dining Facilities | 2 | 2 | 2 | 2 |
| Square footage (in thousands) | 25,100 | 25,100 | 25,100 | 25,100 |
| Average daily customers | 1,074 | 1,198 | 1,302 | 1,450 |
| Athletic Facilities | 7 | 7 | 7 | 7 |
| Square footage (in thousands) | 81,708 | 81,708 | 81,708 | 81,708 |
| Gymnasiums/Weight Room | 2 | 2 | 2 | 2 |
| Tennis Court | - | - | - | - |
| Physical Plant Facilities | 3 | 3 | 3 | 3 |
| Square footage (in thousands) | 23,023 | 23,023 | 23,023 | 23,023 |
| Transportation | 53 | 48 | 48 | 48 |
| Cars | 14 | 12 | 11 | 11 |
| Light Trucks/Vans | 35 | 32 | 33 | 33 |
| Buses | 4 | 4 | 4 | 4 |

Table 19

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------|---------|---------|---------|---------|---------|
| 15 | 14 | 14 | 12 | 12 | 12 |
| 321,117 | 300,786 | 300,786 | 260,737 | 260,737 | 260,737 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 29,540 | 29,540 | 29,540 | 29,540 | 29,998 | 29,998 |
| 60,078 | 59,012 | 61,226 | 62,337 | 61,208 | 53,669 |
| 3 | 3 | 3 | 2 | 2 | 2 |
| 95,819 | 95,819 | 95,819 | 90,897 | 90,897 | 90,897 |
| 24 | 24 | 23 | 23 | 23 | 22 |
| 169,304 | 169,304 | 156,254 | 156,254 | 156,254 | 150,362 |
| 883 | 883 | 819 | 819 | 850 | 818 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 22,100 | 22,100 | 22,100 | 22,100 | 22,100 | 22,100 |
| 1,108 | 1,008 | 1,037 | 973 | 951 | 904 |
| 7 | 5 | 5 | 5 | 5 | 5 |
| 81,708 | 66,416 | 66,416 | 66,416 | 66,416 | 66,416 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| - | - | - | - | - | - |
| 2 | 1 | 1 | 1 | 1 | 1 |
| 16,030 | 9,492 | 9,492 | 9,492 | 9,492 | 9,492 |
| 43 | 45 | 40 | 34 | 33 | 35 |
| 12 | 14 | 12 | 7 | 7 | 7 |
| 27 | 27 | 24 | 23 | 23 | 25 |
| 4 | 4 | 4 | 4 | 3 | 3 |



**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***

To the Board of Trustees
Navarro College District
Corsicana, Texas

We have audited, in accordance with the 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, the financial statements of the business-type activities of Navarro College District (the “District”), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 14, 2017. Our report includes a reference to other auditors who audited the financial statements of Navarro College Foundation (the “Foundation”), as described in our report on the District’s financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
December 14, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM
GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR***

To the Board of Trustees
Navarro College District
Corsicana, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Navarro College District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular (Uniform Grant Management Standards)* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2017. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State of Texas Single Audit Circular (Uniform Grant Management Standards)*. Those standards, the Uniform Guidance, and State of Texas Single Audit Circular (Uniform Grant Management Standards) require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

To the Board of Trustees
Navarro College District

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Texas Single Audit Circular (Uniform Grant Management Standards), but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of Texas Single Audit Circular (Uniform Grant Management Standards). Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
December 14, 2017

NAVARRO COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2017

I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes x no
 Significant control deficiency(ies) identified? _____ yes x none reported

 Noncompliance material to financial statements noted? _____ yes x no

Federal and State Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes x no
 Significant control deficiency(ies) identified? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a) and the
 Uniform Grant Management Standards? _____ yes x no

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| | Student Financial Assistance Cluster: |
| 84.007 | Federal Supplemental Educational Opportunity Grant Program |
| 84.033 | Federal Work Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| 84.048A | Vocational Education - Carl Perkins |

Identification of major state programs:

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

Dollar threshold used to distinguish between type A and
 type B federal programs: \$923,651
 Dollar threshold used to distinguish between type A and
 type B state programs: \$300,000

Federal Single Audit - Auditee qualified as a low-risk auditee? x yes _____ no
 State Single Audit - Auditee qualified as a low-risk auditee? x yes _____ no

NAVARRO COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Year Ended August 31, 2017

II - Financial Statement Findings

None noted.

III - Federal Award Findings and Questioned Costs

None noted.

IV - State Award Findings and Questioned Costs

None noted.

NAVARRO COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2017 has been prepared to address these responsibilities.

I. Prior Audit Findings

None noted.

NAVARRO COLLEGE DISTRICT

CORRECTIVE ACTION PLAN

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

As part of this responsibility, the District’s corrective action plans are presented below.

I. Corrective Action Plan

Not Applicable.