

**Navarro College District
Corsicana, Texas**

**Comprehensive Annual Financial Report
Years Ended August 31, 2014 and 2013**



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



INTRODUCTORY SECTION



Navarro College District

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December 11, 2014

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, 2014, 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, have issued an unmodified (“clean”) opinion on the District’s financial statements for the years ended August 31, 2014 and 2013. 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.

CORSICANA CAMPUS

3200 W. 7th Ave.
Corsicana, TX 75110
(800) 628-2776

WAXAHACHIE CAMPUS

1900 John Arden Dr.
Waxahachie, TX 75165
(972) 937-7612

MIDLOTHIAN CAMPUS

899 Mount Zion Road
Midlothian, TX 76065
(972) 775-7200

SOUTH CAMPUS

901 N. MLK Jr. Blvd.
Mexia, TX 76667
(254) 562-3848

FAIRFIELD CENTER

961 E. Commerce St
Fairfield, TX 75840
(903) 389-7983

In general, the Board provides policy direction and sets goals for the District consistent with the District's role and mission. Besides general Board business, trustees are charged with numerous statutory regulations, including ordering elections and issuing bonds. The Board also is responsible for appointing the 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 its geographical location between Dallas and Houston on Interstate 45 and between Waco and Tyler on State Highway 31. Student enrollment statewide is experiencing a downward trend among community colleges; however, Navarro College is still among the top performers. For fall 2013 the state enrollment average was a .4% decrease while Navarro College submitted a 1.6% increase in student headcount.

Navarro County's (the taxing district) economy is based on manufacturing, agriculture, and mineral production. Agricultural income is derived from beef cattle, dairy cattle, horses, cotton, and grain. Minerals produced in the county include oil, gas, sand, and gravel. Growth in the county has been minimal, as evidenced by a \$33 million (less than 1%) increase in the assessed value of the District during the past fiscal year.

Navarro County

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

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

The population of Navarro County in 2014 was 48,038 and the North Central Texas Council of Governments, in partnership with North Central Texas Work Force Board, projects a population growth of 2.2% in Navarro County from 2012 to 2017.

Corsicana is home to more than sixty industries, including 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).

Splashicana is a \$9 million, 23-acre water park development at the intersection of Interstate 45 and U.S. 287, projected to open summer 2015. The park will be completed in phases, with Phase 1 to include a large lagoon with zip lines, paddle boats, and a lazy river ride. The water park is estimated to attract 115,000 visitors each year from Navarro County and surrounding counties and is expected to hire over 50 full-time employees. It is estimated that the water park will generate annual sales taxes of just under \$300,000 for the area.

Pactiv, the world's largest producer of food-service disposables and food packaging, completed a major product expansion in 2014 at its Corsicana plant, involving an estimated 150,000 sq. ft. expansion to its existing manufacturing facility on Texas Highway 31 to manufacture Expanded Polystyrene (EPS) cups and containers.

Guardian Industries, one of the world's largest manufacturers of float glass and fabricated glass products, expanded its Corsicana facility in 2014 by bringing a new production line on board with a capital investment of over more than five million dollars, creating an estimated nine new full-time jobs.

December 2013, M Squared Oncology opened the Corsicana Cancer Center adjacent to Navarro Regional Hospital on Texas Highway 22 in Corsicana. The project involved a capital investment of \$2.8 million and is expected to create 20 new full-time jobs.

Top employers in Navarro County are:

Company Name	Nature of Business	Number of Employees
Navarro College (includes part-time)	Education	1106
Russell Stover Candies	Candy Manufacturing	850*
Corsicana Independent School District	Government/ Education	811
Navarro Regional Hospital	Hospital	350
Kohl's Distribution Center	Retail Distribution	315
Guardian Industries	Glass Manufacturing	318
Navarro County	Government/ County	284
City of Corsicana (includes part-time)	Government/ City	284
Corsicana Bedding	Bedding	257
Oil City Iron Works	Castings	255
Tru-Serve/ True Value Distribution Center	Distribution/ Hardware	180
Collin Street Bakery	Food	150*
Heritage Oaks/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.)		

Ellis County

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

The North Central Texas Council of Governments Regional Data Center reports that Ellis County, a major part of our service area, continues to grow dramatically, with an estimated total population of 157,910 in 2014. The 2014 estimated population of Waxahachie was 32,070, and the 2014 estimated population of Midlothian was 20,540. Ellis County is projected to have a population of 252,768 by 2035, an increase of over 60%. In addition, the county has a diverse employment and manufacturing base.

Waxahachie is conveniently located at the crossroads of Interstate 35E and U.S. Highway 287. Waxahachie hosts hundreds of festivals and events, large and small, each year. There are large events like the Bob Phillips Texas Country Reporter Festival, Crape Myrtle Festival, and Waxahachie's Cinco De Mayo Festival. Historical events include the Gingerbread Trail Tour of Homes, Annual Chautauqua

Assembly, WWII Veterans' Day Reenactment, and the Christmas Candlelight Tour of Homes. Annual events in Midlothian include the Business Expo, Balloon Festival and Fly-In, the Fall Festival, and the Holiday Parade.

Waxahachie continues to be an attractive area for developers and individuals to locate. A new five-story, 99-bed Baylor Medical Center is in completion stage and is a \$175.5 million investment made by Baylor and a new medical office building to be located next to the new hospital is an \$11 million investment. Taco Cabana opened a restaurant in Waxahachie and Showbiz Cinemas added 6,600 square feet to its facility to house a 70 foot screen that is curved and runs wall to wall, floor to ceiling. Quik Trip, a 6,978 square foot convenience store, gas station/truck stop, opened for business on Highway 35E.

Midlothian is a growing community in northwest Ellis County with a 136% growth rate since 2000. The city is centrally located south of both Dallas and Fort Worth. Transportation accessibility is a unique asset for Midlothian businesses being located at the intersection of two major state highways (67 & 287) and 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 Gerdau, Midlothian ISD, Target Corporation, Wal-Mart, Toys"R"Us Warehouse, Ash Grove Cement, Holcim Texas, Methodist Medical Center, Texas Industries, Martech, Inc., QuikTrip Warehouse, and MidTexas International.

Ennis is located 25 miles south of downtown Dallas on I-45, with a historic downtown shopping district, quality bed and breakfast inns and lodges, and four large auditoriums for meetings, reunions or other large events. Tourists are drawn to the 40-mile "Official Bluebonnet Trail of Texas" and to the National Polka Festival held each May. Other attractions include the Ennis Railroad and Cultural Heritage Museum, the Autumn Days in Ennis Fall Festival in October, and the December Christmas Parade of Lights. 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 ASMO Manufacturing, Inc., Advanced Drainage Systems, Atlas Sondolier, Inc., CVS Pharmacy Distribution Center, Ennis Extruded Products, Inc., Leggett & Plat Corp., Inc., PetSmart Distribution Center, Polyguard Products, Inc., and Sterilite Corp. of Texas.

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 and the 2010 population was 23,384. 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, the Limestone County Airport, and the Gibbs Memorial Library. The Mexia State Supported Living Center, a 215-acre state supported living center, providing campus-based direct services to 310 individuals with intellectual or developmental disabilities, is a major employer in the area with approximately 1,600 employees. 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 2013 estimated population of 19,646, of which 2,898 reside in the city of Fairfield. Other cities in Freestone County are Teague, Wortham, and Streetman. 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.

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 \$51.9 million in awards was processed in fiscal year 2014. 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:

- Articulated credit for Career and Technical programs is offered in area high schools to prepare students for the workforce in career technical fields. These, along with technical training and placement for students in industries located across the District's service area, help to provide educated workers for the labor force. New programs planned in the coming months at the Fairfield Career and Technical Education Center include workforce and continuing education courses, Petroleum Technology, Power Plant Operations, Accounting, and Criminal Justice.
- 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 over 20,000 students annually.
- The remodeling of the Cook Education Center kitchen has enabled this facility to increase the space rentals and events by 33%. The new space has improved relations with the District's caterers and the public.
- The addition of an exhibit space entitled "Hunters and Gatherers" is scheduled for opening during FY 2015.
- Also located in the Cook Education Center is the Pearce Civil War & Western Art Museum. The Civil War collection contains over 15,000 original documents written by Presidents, officers, common soldiers, civilians, and family members left on the home front. It is a balanced collection, documenting both the Northern and Southern experiences of the Civil War. The Western Art collection is home to more than 200 original works by acknowledged masters as well as up-and-coming artists in the western art genre. The collection 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 previous years, the Pearce Museum has hosted the Western Artists of America Show and Sale. Communication is ongoing with other groups to host similar shows.

- The “Open Door to Success” program continues to assist in identifying students with potential to succeed who are not enrolling in college for a variety of reasons. This program provides individualized counseling attention and financial assistance to qualifying students.
- The District’s cooperative agreement with John Deere continues to attract students from across Texas and neighboring states who wish to pursue a degree in agriculture mechanization technology.
- Fire, emergency medical service, and police academies provide a trained workforce to the cities, municipalities, and agencies within the College’s service area, as well as the entire State of Texas. The Navarro College Police Academy has maintained a 100% pass rate of the Texas Commission on Law Enforcement Basic Peace Officer exam since January 2012. Continuing education classes are also offered in these areas to assist in meeting certification requirements.
- Workforce education classes are offered in partnership with local business and industry to upgrade the skills of incumbent employees and meet new-hire needs. Navarro College has been awarded three new Texas Workforce Commission Skills Development Grants of more than \$400,000 to train Veterans for Advanced Manufacturing jobs, employees of a local small business, and to re-tool 220 employees of two local manufacturers.
- A Massage Therapy program has been developed and is currently being offered on the Corsicana and Waxahachie Campus. Enrollment is exceeding expectations creating opportunities for staff and faculty to be innovative with program offerings and deliveries.
- In January 2014, the District hosted its first MLK Breakfast to commemorate the life and works of Dr. Martin Luther King. It was well attended and received favorable comments from faculty, staff, and the community as a whole.
- In an effort to engage and inform the community, the District held its first “Town Hall Meeting”. It was well attended and included both, presentations by the District President and selected Vice Presidents and was followed with a Question and Answer session.
- In July 2014, the District’s Department of Public Safety hosted an Active Shooter Training Session at Drane Science Hall. Attendance included twelve Navarro College officers, two Navarro County deputies, and six Corsicana Police Department officers. The training was excellent, and members of District’s police department worked in teams together and in multi-agency teams in order to simulate a real life response to an active shooter at Navarro College.

RELEVANT FINANCIAL POLICIES

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

Every year, during the month of July, administrators and the Board of Trustees participate in an all-day budget workshop. It is at this workshop that annual and long-term capital budgets and future construction projects are reviewed and funding sources are identified. This workshop is also used to review revenue

and expenditure projections and compare them to the enrollment forecasts. Also included is the annual review of outstanding bond issues, their call dates, and possible refunding advantages and disadvantages.

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, 2014, 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:

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:

- The Texas A&M University at Commerce - Navarro College Partnership continues to receive recognition as an outstanding program with emphasis on teacher education. Beginning with spring 2014, three new degrees were added at the Corsicana site. Degree offerings include Bachelors of Science in Computer Science and in Environmental Science which were delivered via the web and some face-to-face classwork. The partnership has produced 2,007 graduates, with 1,514 in education, 201 Bachelor in Applied Arts and Sciences (BAAS), 82 in Criminal Justice, 30 Bachelor Business Administration (BBA), 18 Bachelor of Science in Instructional Training and Design (TDEV), 17 Bachelor of Science in Liberal Studies (BSLS), 30 Bachelor in General Studies (BGS), and 117 Master's degrees conferred through fall 2014.
- The District has partnered with the Waxahachie Independent School District (WISD) since 2007 for 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. 422 students are currently registered with Navarro College through this program and in spring 2014, forty-seven students graduated with their Associate degrees. Several other students finished their Associate degrees in the summer.
- In the fall 2014, the District, will partner with Red Oak Independent School District and the University of Texas at Arlington (UTA) to create the Red Oak Hawks Scholars Academy (ROHSA). A cohort of twenty-three high-achieving ninth grade students will be enrolled in

speech and freshman orientation for the fall of 2014. These students were selected through a rigorous portfolio and interview process. Students will graduate with their Associate degrees through Navarro College around the time they graduate from high school. The University of Texas at Arlington will accept these students and their Navarro College credits as long as they meet the established criteria.

- The Maypearl Panther Academy began in fall 2013 and currently has fifty students enrolled. This program accepts a cohort of high-performing ninth grade students who follow an established plan to complete the Associates degree while in high school.
- The District offers academic dual credit classes at the majority of high schools in Ellis County. The unofficial number of students enrolling in all Academic dual credit, including WGH and ROHSA for fall 2014 is anticipated to exceed 1,400.
- Since fall 2013, the District has partnered with Ennis High School to offer academic classes in the evenings two nights per week. The District expects that approximately 30 students will enroll in three classes at Ennis High School for the fall 2014 semester.
- Enrollment in online instruction continues to be a strong initiative. More than forty degree and certificate programs offered by the District can be attained online. The course quality evaluation process which was developed in 2012 by the Online Instruction Committee, includes a comprehensive set of standards for online courses. These standards allow the District the continuous monitoring of the quality of courses for the period ahead.
- The District has increased its emphasis and promotion of the Fine Arts programs by hiring two faculty/band directors and one choir director. We also hired a new highly qualified art instructor. Significant emphasis is being placed on promoting and growing the fine arts program. In addition, the Fine Arts Building has been renovated with new paint, lighting, and graphics. Equipment, departmental, and scholarship funding was increased.
- The college has purchased buildings and land in Fairfield Texas to create the Navarro College Career and Technical center at Fairfield. Initial offerings included welding and oil & gas programs. Future course offering expansion will include workforce and continuing education courses, Petroleum Technology, Power Plant Operations, Accounting, and Criminal Justice.
- The Midlothian Higher Education Center, located on the District's Midlothian campus, continues to increase in enrollment, offerings and graduations. More than 600 university students are expected to attend classes on the Midlothian Campus fall 2014. Three University partners offer seven different Bachelors and three Masters Degrees that complete at the Midlothian Campus of Navarro College.
- 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 four campuses, with the necessary firewall infrastructure to protect the integrity of the data.
 - Continuing to upgrade safety measures, including placing defibrillators on all campuses; adding wireless internet-based security cameras in the dining hall, library, Special Event Center (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. An Active

Shooter table-top exercise training involving all key administrators and partners from community safety organizations, was held during fall 2013.

- In preparation of a massive upgrade of its technological infrastructure, the District engaged the services of CampusWorks (consultant firm) to assess all four components of the technological infrastructure (instructional, information security, administrative, physical infrastructure). This was completed and the District now has a Strategic Information Technology Plan, which it anticipates implementing over a three year period.
- The District transitioned from an obsolete in-house email system (DeskNow) to a hosted Microsoft Exchange system including storage, calendaring, Office 365 functionality and increased security.
- Navarro College welcomes the American Honors organization to provide leadership and international recognition and enhancement of the current honors program for Navarro College. American Honors is a nationally recognized 2+2 program where students earn an Associate degree with honors and have the opportunity to transfer to a top 4-year university to complete their Bachelor's degree. The District will start a pilot program during the next fiscal year.
- As part of the current reaccreditation process, the District has to develop a Quality Enhancement Plan (QEP). This plan has to be a new initiative, be institutionally driven, impact student learning, be financially sustainable, involve all campuses, and be measurable. During FY 2014, using various modes of data research (focus groups, surveys, public presentations) and including all stakeholders; faculty, staff, students, and community members, the District selected the QEP topic, namely, mathematics. The plan of the District is to fully develop this topic during FY 2015.
- 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.
- In addition, 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 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 provides an outlet for students not in athletics but 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 2013-2014 year with a record of 21-10. They were runners-up in the Region XIV North Zone. Seven student-athletes transferred to university basketball programs.

- The baseball team had a record of 33-22 for the 2014 season. They were Region XIV East Zone runners-up. Six student athletes were named to the All-Conference team and seven athletes transferred to university programs.
- The soccer team finished runners-up for the National Title at the NJCAA Women's Soccer National Championship Tournament in Melbourne, FL with a record of 18-4-1. They were the Region XIV Champions and District I Champions. Four of our student-athletes were named to the All-Region Team. Two players were named NJCAA All-American and three players were named to the NSCAA All-American Team.
- The softball team posted a record of 36-15 for the 2014 season and they were Region XIV East Zone Conference Champions. Ten players were named to the All-Conference team, eight players were named to the All-Region team, and two players were name All-Americans. Seven student athletes transferred to university programs.
- The football team finished with a record of 9-3 and were Champions of the Brazos Valley Bowl in Bryan, TX. They were Runners-Up in the SWJCFC Championship. Twenty-four student athletes will transfer to university programs. 1 student athlete was named to the All-American team and 14 were named All-Conference.
- The cheerleaders won the 2014 NCA National Championship. This group has brought home a NCA National Championship in eleven of the last fourteen years and won Grand National Championships for the last three years.
- The volleyball team posted a record of 6-19.
- Academics are stressed by the Navarro College administration and coaching staff. Success is evidenced by having 12 athletes named to the 2013-2014 Region XIV All-Academic Team and 4 players named as NJCAA Academic All-Americans. The softball, soccer, volleyball and baseball teams earned recognition as NJCAA Academic Teams of the Year.

Construction and Expansion Projects:

On the Corsicana campus, minor renovation projects were completed, including the following buildings: Fine Arts Building (Band and Choir Hall), Albritton Building (office space for Operations, relocations of Human Resource and Student Recruitment offices and the Mailroom, and upgrade of Black Box Theatre area). In addition, the newly renovated leased space at the Corsicana College Park Mall, which provides classroom and laboratory space for the Cosmetology and the Massage Therapy Programs, was placed into use.

During the January 2014 board meeting, the Board of Trustees adopted a resolution authorizing the purchase of property (five buildings on approx. 10.9 acres) located in Fairfield from the Fairfield Industrial Development Corporation at a cost of \$565,000. During FY 2014, two of the buildings were renovated and converted to classrooms and office space. One additional building was repurposed into a welding classroom with laboratory space.

In addition, during the June 2014 board meeting, the Board of Trustees approved the purchase of a 4,200 sq.ft. commercial building, including a parking lot with 18 parking spaces, for \$200,000. Planned usage of the building is for a Bookstore Annex and office space for the relocation of the Small Business Development Center.

On the Mexia campus the 9,700 square foot Administration/Classroom building was completed and placed into use.

The Board approved the use of reserves to fund both, the construction of the administration building and the two property purchases.

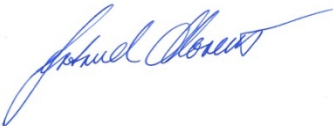
AWARDS AND ACKNOWLEDGEMENTS

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, 2013. This was the thirteenth consecutive year (2001 through 2013) that the College has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

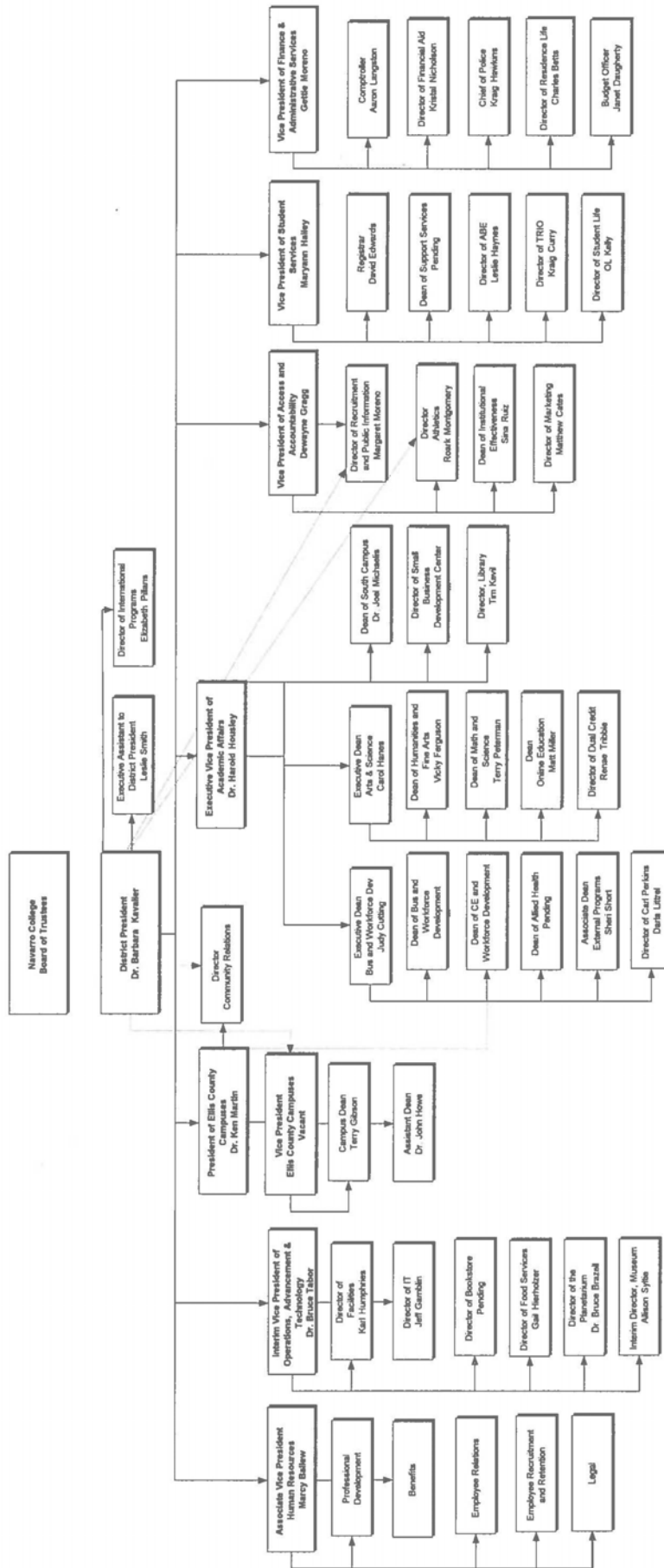
The preparation of this report could not have been accomplished without the efficient and dedicated services of the Business Services staff, particularly the Accounting Department. In addition, various members of the President's Cabinet provided information for inclusion in the transmittal letter, that 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,

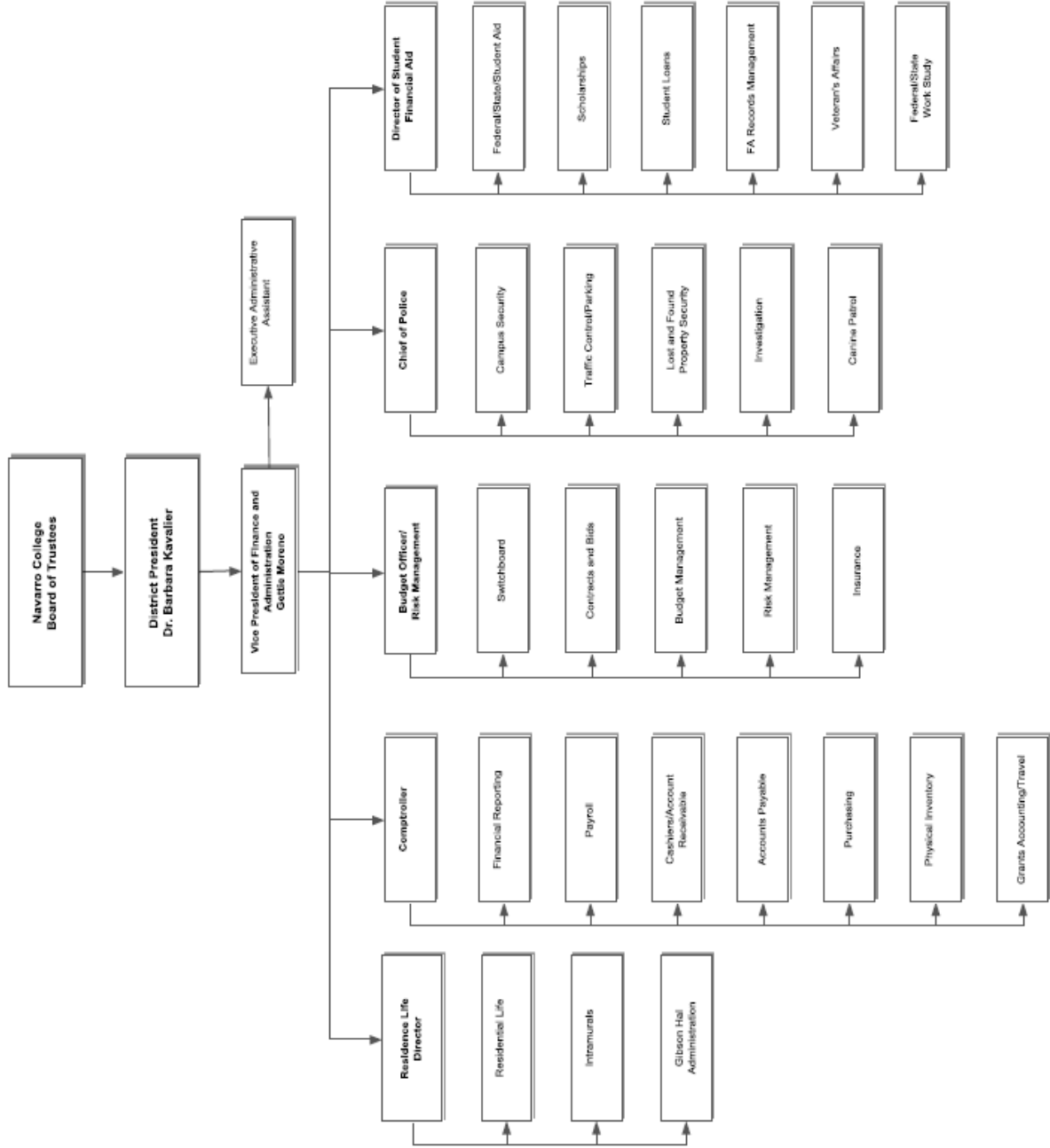
A handwritten signature in blue ink, appearing to read "Gertrud Moreno".

Gertrud Moreno, CPA
Vice President for Finance and Administration

NAVARRO COLLEGE DISTRICT Organization Chart District President



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



Navarro College District
Principal Officials
Year Ended August 31, 2014

Board of Trustees

Officers

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

Members	Term Expires
Faith Holt	Corsicana, Texas 2019
Lloyd D. Huffman	Corsicana, Texas 2017
Billy Todd McGraw	Blooming Grove, Texas 2019
James G. Price, D.D.S.	Corsicana, Texas 2019
Richard L. Aldama	Corsicana, Texas 2015
Phil Judson	Corsicana, Texas 2017
A. L. Atkeisson	Kerens, Texas 2015

Executive Officers

Barbara Kavalier, Ph.D.	District President
Kenneth Martin, Ed.D	President, Ellis County Campuses
Harold Housley, Ph.D.	Vice President for Academic Affairs
Gertrud Moreno, CPA	Vice President for Finance and Administration
Bruce Tabor, Ed.D	Interim Vice President of Operations, Technology and Advancement
Mary Ann Hailey	Vice President of Student Services
Dewayne Gragg	Vice President of Access and Accountability
Marcy Ballew	Associate Vice President of Human Resources

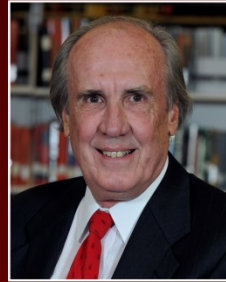
Business Officers

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

NAVARRO COLLEGE
BOARD OF TRUSTEES
& DISTRICT PRESIDENT



Dr. Barbara Kavalier
District President



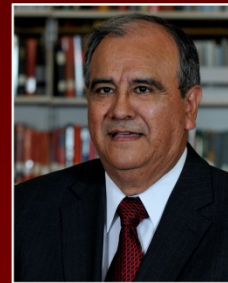
Lloyd D. Huffman
Chairman



Dr. James G. Price
Vice Chairman



Phil Judson
Secretary/Treasurer



Richard L. Aldama
Member



A.L. Atkeisson
Member



Faith D. Holt
Member



Billy Todd McGraw
Member



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, 2013

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 year ended August 31, 2014, 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, 2014 and 2013. 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, along with the report of the other auditors, 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, 2014, 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.

Report on Comparative Information

The comparative information presented herein as of and for the year ended August 31, 2013, derived from financial statements audited by a predecessor auditor and, accordingly, we express no opinion or provide no assurance on it. The District's 2013 financial statements, and the predecessor auditor's report dated December 4, 2013, expressed an unmodified opinion on those audited financial statements.

Emphasis of Matter

As discussed in Note 2(j) to the financial statements, the District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of August 31, 2014. Our opinion is not modified with respect to this matter.

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 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 introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133,

Audits of States, Local Governments, and Non-profit Organizations, and the Uniform Grant Management Standards, and are also not a required part of the basic financial statements.

The supplemental information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information and schedules of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, slightly slanted style.

Houston, Texas
December 11, 2014



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, 2014. 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 xv of this report.

Financial Highlights

- The following items were funded from the District's reserves:
 - Completed the following construction project
 - Mexia Administration Building at a total cost of \$1,033,078
 - Acquired the following new properties
 - 3205 West 2nd Avenue – Bookstore Annex, “Beau’s Beautique” and SBDC Offices at a total cost of \$200,163
 - Fairfield Campus at a total cost of \$591,630
- Reduced total debt by \$2,465,000

Overview of the Financial Statements and Financial Analysis

The District is proud to present its financial statements for the fiscal years ended August 31, 2014 and 2013. 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, 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), 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 2013 to 2014	Percentage of Change 2013 to 2014
	2014	2013	2012		
Assets					
Current assets	\$ 30,317,739	\$ 37,475,035	\$ 38,746,553	\$ (7,157,296)	(19.10%)
Capital assets	66,717,766	66,615,427	58,692,740	102,339	0.15%
Total assets	\$ 97,035,505	\$ 104,090,462	\$ 97,439,293	\$ (7,054,957)	(6.78%)
Total deferred outflows of resources					
	\$ 874,539	\$ 937,759	\$ 1,000,978	\$ (63,220)	(6.74%)
Current liabilities	\$ 17,818,227	\$ 22,130,271	\$ 16,809,085	\$ (4,312,044)	(19.48%)
Noncurrent liabilities	32,254,026	34,655,026	37,288,901	(2,401,000)	(6.93%)
Total liabilities	\$ 50,072,253	\$ 56,785,297	\$ 54,097,986	\$ (6,713,044)	(11.82%)
Net position					
Net investment in capital assets	\$ 35,321,947	\$ 32,024,197	\$ 26,918,301	\$ 3,297,750	10.30%
Restricted - expendable	2,372,830	2,901,585	2,963,556	(528,755)	(18.22%)
Unrestricted	10,143,014	13,317,142	14,460,428	(3,174,128)	(23.83%)
Total net position	\$ 47,837,791	\$ 48,242,924	\$ 44,342,285	\$ (405,133)	(0.84%)

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.

Financial Analysis from 2013 to 2014

Current assets decreased by (\$7,157,296) or (19.10%), due to decreases of (\$6,967,357) in cash, cash equivalents, and restricted cash; (\$372,769) in inventories; (\$285,861) in prepaid expenses; and an increase of \$468,691 in accounts receivable. The decrease in cash is largely due to the expenditures incurred in FY 2014 for the construction of an administration building on the Mexia campus, the purchases of the Fairfield campus and the building to house the District’s Small Business Development

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

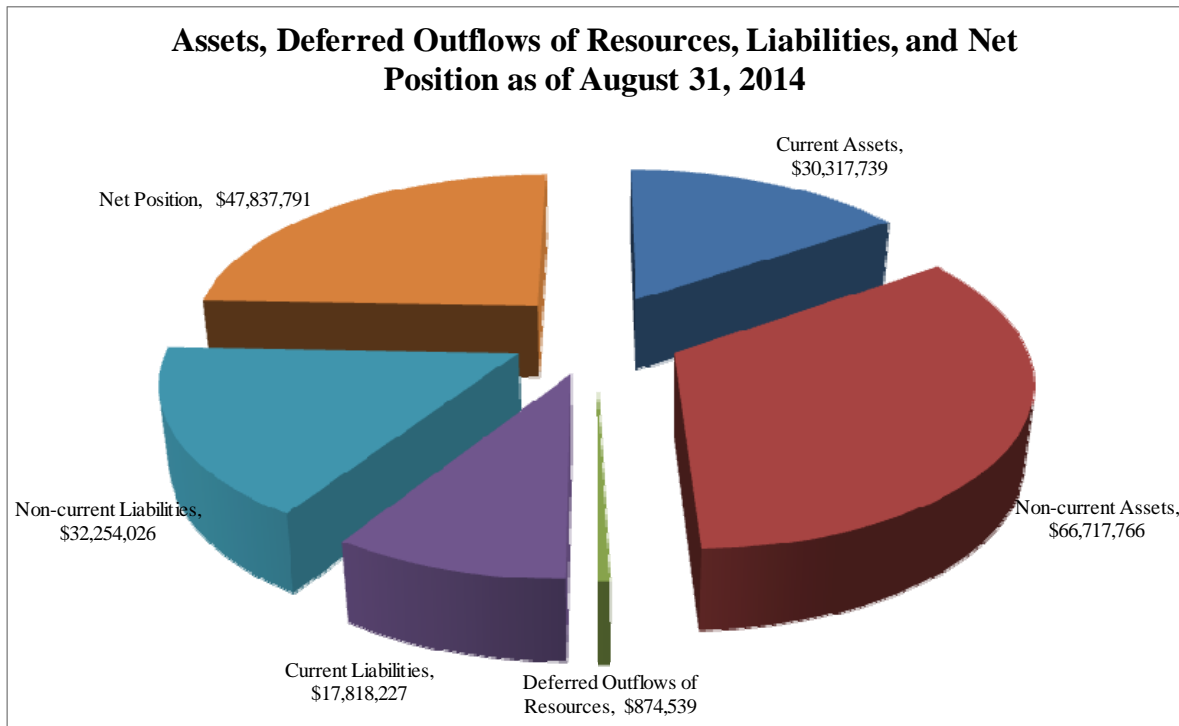
Corporation office as well as Beau's Beautique which is a second location for the campus bookstore. Other contributors to the decrease in cash are the delayed drawdown of PELL funds and debt service principal and interest payments.

Capital assets show an increase of \$102,339 (after depreciation). One building construction project that began in FY 2013 (Mexia Administration Building) was completed and placed into operation in February 2014.

GASB 65 was implemented during fiscal year 2014 which resulted in a reclassification from bonds payable to deferred outflows of resources to properly present the deferred loss on the 2012 refunding. The amounts reclassified are \$874,539 and \$937,759 for the years ended August 31, 2014 and 2013, respectively.

Total liabilities decreased to \$50,072,253 from \$56,785,297, for a decrease of (\$6,713,044) or (11.82%). This decrease reflects a (\$268,244) decrease in accounts payable; a (\$4,088,269) decrease in unearned revenue; a (\$155,000) decrease in capital leases; a (\$2,376,316) decrease in bonds payable; a (\$22,149) decrease in accrued liabilities; and a (\$12,736) decrease in funds held for others. The decrease in unearned revenue is due to a timing difference in the drawdown of PELL funds that were awarded prior to year-end that are for the next fiscal year, these funds were not requested until after year-end. The decreases in capital leases and bonds payable are due to scheduled debt service payments and amortization of bond premiums. The decreases are offset by increases of \$194,192 in accrued compensated absences and \$15,478 in accrued claims and judgments.

In summary, the total net position of the District reflected a decrease of (\$405,133) to a total of \$47,837,791 at August 31, 2014. Most of this change is due to an increase of \$3,297,750 in net investment in capital assets, which is offset by a decrease of (\$528,755) in expendable restricted net position and a decrease of (\$3,174,128) in unrestricted net position.



NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis from 2012 to 2013

Current assets decreased by \$(1,271,518) or (3.28%) due to decreases of \$(1,152,438) in cash and cash equivalents, \$(259,616) in prepaid expenses, and increases of \$63,410 in accounts receivable and \$77,126 in inventories. The decrease in cash represents expenditures incurred in 2013 for the construction of a classroom building and a physical plant building on the Waxahachie campus.

Capital assets show an increase of \$7,922,687 (after depreciation). Two building construction projects that began in fiscal year 2012 (Baseball/Softball Field House, Soccer Field House, and a 64-bed student apartment building) were completed and placed into operation in July 2013. The Waxahachie classroom and physical plant buildings were completed and placed into operation in August 2013. In May 2013, the Navarro College Foundation transferred ownership of the Cook Education Center expansion to the District which increased capital assets by \$1,539,061.

GASB 65 was implemented during fiscal year 2014 which resulted in a reclassification from bonds payable to deferred outflows of resources to properly present the deferred loss on the 2012 refunding. The amounts reclassified are \$937,759 and \$1,000,978 for the years ended August 31, 2013 and 2012, respectively.

Total liabilities increased to \$56,785,297 from \$54,097,986, for an increase of \$2,687,311. This increase reflects a \$730,565 increase in accounts payable, a \$4,564,075 increase in unearned revenue, a \$1,642 increase in accrued liabilities, and a \$227,849 increase in accrued compensated absences. These increases are offset by decreases of \$(225,000) in loans payable, \$(150,000) in capital leases, \$(2,376,317) in bonds payable, \$(27,398) in accrued claims and judgments, and \$(58,105) in funds held for others. The increase in unearned revenue is due to a receipt of PELL funds received prior to year-end that are for the next fiscal year. The decrease in loans payable represents the District being in compliance with the forgivable loan terms set by the Midlothian Economic Development Center. The decreases in capital leases and bonds payable are due to scheduled debt service payments and amortization of bond premiums.

In summary, the total net position of the District reflected an increase of \$3,900,639 to a total of \$48,242,924 at August 31, 2013. Most of the growth is due to an increase of \$5,105,896 in net investment in capital assets, which is offset by a decrease of \$(61,971) in expendable restricted net position and a decrease of \$(1,143,286) 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 and 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

	2014	2013	2012	Amount of Change 2013 to 2014	Percentage of Change 2013 to 2014
Operating revenues					
Tuition and fees	\$ 14,029,788	\$ 14,202,493	\$ 15,014,906	\$ (172,705)	(1.22%)
Sales and services	8,300,881	8,543,455	8,838,891	(242,574)	(2.84%)
Other operating revenues	155,344	182,078	129,911	(26,734)	(14.68%)
Total operating revenues	<u>22,486,013</u>	<u>22,928,026</u>	<u>23,983,708</u>	<u>(442,013)</u>	<u>(1.93%)</u>
Nonoperating revenues					
State appropriations	18,288,097	17,919,724	17,530,761	368,373	2.06%
Maintenance ad valorem property taxes	3,359,627	3,301,143	3,228,761	58,484	1.77%
Grants and contracts	24,766,939	25,183,309	26,119,249	(416,370)	(1.65%)
Gifts	1,414,538	975,840	834,579	438,698	44.96%
Investment income	129,125	160,404	146,902	(31,279)	(19.50%)
Other non-operating revenues	349,148	291,260	62,511	57,888	19.88%
Total nonoperating revenues	<u>48,307,474</u>	<u>47,831,680</u>	<u>47,922,763</u>	<u>475,794</u>	<u>0.99%</u>
Total revenues	<u>70,793,487</u>	<u>70,759,706</u>	<u>71,906,471</u>	<u>33,781</u>	<u>0.05%</u>
Operating expenses					
Instruction	20,213,672	19,104,050	17,799,800	1,109,622	5.81%
Public service	275,807	270,869	281,184	4,938	1.82%
Academic support	3,972,411	3,748,138	3,486,597	224,273	5.98%
Student services	4,360,373	4,608,363	4,031,791	(247,990)	(5.38%)
Institutional support	6,998,131	6,144,442	5,191,112	853,689	13.89%
Operation and maintenance of plant	3,748,746	4,030,618	4,122,473	(281,872)	(6.99%)
Scholarships and fellowships	16,571,886	15,761,613	16,955,799	810,273	5.14%
Auxiliary enterprises	11,825,269	11,504,077	12,088,998	321,192	2.79%
Depreciation expense	1,997,893	1,968,446	1,855,608	29,447	1.50%
Total operating expenses	<u>69,964,188</u>	<u>67,140,616</u>	<u>65,813,362</u>	<u>2,823,572</u>	<u>4.21%</u>
Nonoperating expenses					
Interest on capital related debt	1,234,432	1,257,512	1,527,268	(23,080)	(1.84%)
Total nonoperating expenses	<u>1,234,432</u>	<u>1,257,512</u>	<u>1,527,268</u>	<u>(23,080)</u>	<u>(1.84%)</u>
Total expenses	<u>71,198,620</u>	<u>68,398,128</u>	<u>67,340,630</u>	<u>2,800,492</u>	<u>4.09%</u>
Special item	<u>-</u>	<u>1,539,061</u>	<u>-</u>	<u>(1,539,061)</u>	<u>(100.00%)</u>
Change in net position	(405,133)	3,900,639	4,565,841	(4,305,772)	(110.39%)
Beginning net position, as restated	<u>48,242,924</u>	<u>44,342,285</u>	<u>39,776,444</u>	<u>3,900,639</u>	<u>8.80%</u>
Ending net position, as restated	<u>\$ 47,837,791</u>	<u>\$ 48,242,924</u>	<u>\$ 44,342,285</u>	<u>\$ (405,133)</u>	<u>(0.84%)</u>

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis from 2013 to 2014

The Statement of Revenues, Expenses, and Changes in Net Position reflects a negative year, with a change of (\$405,133) in net position at year-end. Operating revenues decreased (\$442,013) or (1.93%) due to enrollment decreases, which affected both tuition and fees and sales and services of educational activities.

Non-operating revenues increased by \$475,794 or 0.99% . State- appropriated funds report an increase of \$368,373. Ad valorem taxes increased slightly, in the amount of \$58,484. Gifts increased \$438,698. These increases are offset by decreased federal financial aid funds received on behalf of students from federal and state agencies in the form of student grants, in the amount of (\$416,370). A reduction of (\$31,279) in investment income and an increase of \$57,888 in other non-operating revenues account for the balance of the total change in total non-operating revenue.

Overall operating expenses increased by \$2,823,572 or 4.21% . This increase is due largely to changes in the following categories: instruction \$1,109,622; academic support \$224,273; institutional support \$853,689; scholarship and fellowships \$810,273; auxiliary enterprises \$321,192; public service \$4,938; and depreciation \$29,447. The majority of these increases are due to salary adjustments and new positions that were approved by the board for FY 2014. Additionally, the District entered into a partnership with Campus Works to document the business processes currently used by the District, make recommendations how to use new technology to streamline these processes, and assist the District in implementing these recommendations (included in institutional support). The District incurred \$932,693 in expenses for this partnership during fiscal year 2014. These increases are offset by the following reductions: (\$281,872) in operation and management of plant and (\$247,990) in student services.

Non-operating expenses of interest on capital related debt decreased by (\$23,080) due to regular amortization on principal and interest. The amount reported as interest on capital debt in 2013 was restated to exclude amortization of bond issuance costs pursuant to the implementation of GASB 65.

In summary, operational activities provided the District with a decrease of (\$405,133), reducing net position to a total of \$47,837,791 on August 31, 2014.

Financial Analysis from 2012 to 2013

The Statement of Revenues, Expenses, and Changes in Net Position reflect a positive year, with an increase of \$3,900,639 in net position at year-end. Operating revenues decreased \$(1,055,682) or (4.4%) due to enrollment decreases, which affected both tuition and fees and sales and services of educational activities.

Nonoperating revenues decreased by \$(91,083) or (0.19%). This decrease is due to decreased federal financial aid funds received on behalf of students from federal and state agencies in the form of student grants in the amount of \$(935,940). State-appropriated funds report an increase of \$388,963. Ad vaolrem taxes increased slightly in the amount of \$72,382. Investment income increased \$13,502. Increases of \$141,261 in other gifts and \$228,749 in other non-operating revenues which include the recognition of \$225,000 in proceeds related to the decrease of the forgivable loan amount comprise the balance of the combined decrease in total non-operating revenue.

Overall operating expenses increased by \$1,327,254 or 2.02%. This increase is attributed to increases in the following categories: instruction \$1,304,250; academic support \$261,541; student services \$576,572;

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

institutional support \$953,330; and depreciation \$112,838. The majority of these increases are attributed to salary adjustments and new positions that were approved by the board for fiscal year 2013. Additionally, the District's state appropriation for benefits was decreased by \$(703,255), which caused benefit expenditures to increase for the District over and above the scheduled increases in premiums. These increases are offset by the following reductions: \$(1,194,186) in scholarships and fellowships, which correlates directly with the reduction in tuition and fees noted above; \$(10,315) in public service; \$(91,855) in operation and maintenance of plant; and \$(584,921) in auxiliary enterprises.

Non-operating expenses of interest on capital related debt decreased by \$(269,756) due to regular amortization of principal and interest. The amount reported as interest in capital related debt in 2013 and 2012 were restated to exclude amortization of bond issuance costs pursuant to the implementation of GASB 65.

The special item represents the donation in the amount of \$1,539,061 from the Navarro College Foundation for the Cook Education Center Expansion.

In summary, operational activities provide the District with a strong increase of \$3,900,639, increasing net position to a total of \$48,242,924 on August 31, 2013.

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 the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section reflects cash flows from capital and related financing activities. This section captures the cash used to purchase capital assets and make debt payments, as well as receipt of bond proceeds.

Navarro College District Statements of Cash Flows

	2014	2013	2012	Amount of Change 2013 to 2014	Percentage of Change 2013 to 2014
Cash provided by (used for):					
Operating activities	\$ (40,733,002)	\$ (38,317,572)	\$ (39,879,253)	\$ (2,415,430)	6.30%
Noncapital financing activities	40,132,467	48,629,878	46,305,292	(8,497,411)	(17.47%)
Investing activities	129,041	158,963	195,502	(29,922)	(18.82%)
Capital and related financing activities	(6,495,863)	(11,623,707)	288,171	5,127,844	(44.12%)
Net change in cash	(6,967,357)	(1,152,438)	6,909,712	(5,814,919)	504.58%
Cash, beginning of year	20,588,299	21,740,737	14,831,025	(1,152,438)	(5.30%)
Cash, end of year	<u>\$ 13,620,942</u>	<u>\$ 20,588,299</u>	<u>\$ 21,740,737</u>	<u>\$ (6,967,357)</u>	(33.84%)

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis from 2013 to 2014

An analysis of cash flows shows an overall decrease of (\$6,967,357) or (33.84% for 2014. The District ended fiscal year 2014 with \$13,620,942 in cash, compared to \$20,588,299 at the end of fiscal year 2013. The decreased combined cash flow occurred throughout the year as the funds were expended to complete the construction of the administration building on the Mexia campus, purchase the Fairfield property, the building for Beau's Boutique/SBDC offices and to make scheduled payments for long term debt.

Financial Analysis from 2012 to 2013

An analysis of cash flows shows an overall decrease of \$(1,152,438) or (5.3%) for 2013. The District had \$20,588,299 in cash at the end of fiscal year 2013, compared to \$21,740,737 at the end of fiscal year 2012. The decreased cash flow occurred throughout the year as the funds were expended to complete the construction of the classroom and physical plant buildings on the Waxahachie campus and the soccer and baseball/softball field houses on the Corsicana campus.

Debt Administration, Capital Assets, Cash, & Risk Management

Debt Administration

As of August 31, 2014, the District had \$26,750,000 of revenue bonds outstanding.

As of August 31, 2014, the forgivable loan balance from the Midlothian Economic Development Center (MEDC) was \$1,275,000.

Capital Assets

During fiscal year 2014, the District continued to add to its physical plant infrastructure by adding \$2.12 million in Buildings and Improvements. The building additions consist of the completion of the Mexia administration building, the acquisition of the Fairfield property and the purchase of the building on 2nd Avenue for Beau's Boutique/SBDC offices. Building improvements also increased by the renovations in the cosmetology building and Cook Education Center kitchen renovations. Of the \$2.12 million, \$169,021 was transferred from construction in progress.

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 quarterly during fiscal year 2014. The following is a list of actions taken by the Committee during fiscal year 2014:

- Required employee viewing of the Superstes Active Shooter Training video to be prepared for such scenarios (training video was made available on website)
- Sexual Assault prevention training video was made available on website
- Conducted Active Shooter training with Navarro College Department of Public Safety and other local police agencies
- Conducted tornado emergency tabletop exercise with key personnel

NAVARRO COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Provided a confidential reporting tool on the college website to provide anonymous crime tips to campus police
- Provided risk management training for student organizations
- Posted Campus Safety Plan poster in every room in every building on all campuses
- Conducted evacuation or lockdown/lockout drills for every building on every campus
- Updated emergency exit maps on all campuses
- Instituted the college Civility initiative to promote safety and civility on all campuses

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.



Aaron York Langston, CPA
Comptroller



BASIC FINANCIAL STATEMENTS



Navarro College District

Statements of Net Position (Exhibit 1)

August 31, 2014 and 2013

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2014	2013	2014	2013
Assets				
Current assets:				
Cash and cash equivalents	\$ 13,620,942	\$ 20,385,851	\$ 142,266	\$ 232,889
Restricted cash and cash equivalents		202,448	51,209	-
Accounts receivable, net	13,636,888	13,168,197	11,782	54,357
Prepaid expenses	611,350	897,211	-	22,598
Inventories	2,448,559	2,821,328	-	-
Total current assets	<u>30,317,739</u>	<u>37,475,035</u>	<u>205,257</u>	<u>309,844</u>
Noncurrent assets:				
Long-term investments	-	-	3,826,201	3,925,124
Capital assets, net	66,717,766	66,615,427	8,947,714	8,622,981
Total noncurrent assets	<u>66,717,766</u>	<u>66,615,427</u>	<u>12,773,915</u>	<u>12,548,105</u>
Total assets	<u>97,035,505</u>	<u>104,090,462</u>	<u>12,979,172</u>	<u>12,857,949</u>
Deferred outflows of resources				
Deferred charge on refunding	874,539	937,759	-	-
Total deferred outflows of resources	<u>874,539</u>	<u>937,759</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	1,898,777	2,167,021	2,231	208,407
Accrued liabilities	283,656	305,805	-	-
Funds held for others	593,626	606,362	-	-
Unearned revenue	12,266,286	16,354,555	-	-
Accrued compensated absences - current portion	195,154	204,669	-	-
Accrued claims and judgments - current portion	30,728	26,859	-	-
Capital lease - current portion	165,000	155,000	-	-
Bonds payable - current portion	2,385,000	2,310,000	-	-
Total current liabilities	<u>17,818,227</u>	<u>22,130,271</u>	<u>2,231</u>	<u>208,407</u>
Noncurrent liabilities:				
Accrued compensated absences	2,273,348	2,069,641	-	-
Accrued claims and judgments	92,186	80,577	-	-
Loan payable	1,275,000	1,275,000	-	-
Capital lease	3,331,116	3,496,116	-	-
Bonds payable	25,282,376	27,733,692	-	-
Total noncurrent liabilities	<u>32,254,026</u>	<u>34,655,026</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>50,072,253</u>	<u>56,785,297</u>	<u>2,231</u>	<u>208,407</u>
Net position				
Net investment in capital assets	35,321,947	32,024,197	8,947,714	8,622,981
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	146,600	146,600
Pearce Museum	-	-	1,322,296	1,322,296
Expendable:				
Scholarships and fellowships	2,006,219	2,570,708	2,418,869	1,956,391
Debt service	366,611	330,877	-	-
Other	-	-	-	476,601
Unrestricted	10,143,014	13,317,142	141,462	124,673
Total net position	<u>\$ 47,837,791</u>	<u>\$ 48,242,924</u>	<u>\$ 12,976,941</u>	<u>\$ 12,649,542</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, 2014 and 2013

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2014	2013	2014	2013
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$5,805,411 and \$5,942,618, respectively)	\$ 14,029,788	\$ 14,202,493	\$ -	\$ -
Gifts	-	-	479,806	1,311,978
Sales and services of educational activities	521,857	508,065	-	-
Auxiliary enterprises (net of scholarship allowances and discounts of \$2,488,033 and \$2,546,836, respectively)	7,779,024	8,035,390	-	-
Other operating revenues	155,344	182,078	-	-
Total operating revenues	<u>22,486,013</u>	<u>22,928,026</u>	<u>479,806</u>	<u>1,311,978</u>
Operating expenses:				
Instruction	20,213,672	19,104,050	-	-
Public service	275,807	270,869	-	-
Academic support	3,972,411	3,748,138	-	-
Student services	4,360,373	4,608,363	-	-
Institutional support	6,998,131	6,144,442	191,721	213,815
Operation and maintenance of plant	3,748,746	4,030,618	-	-
Scholarships and fellowships	16,571,886	15,761,613	398,358	466,700
Auxiliary enterprises	11,825,269	11,504,077	-	-
Depreciation	1,997,893	1,968,446	2,086	3,149
Total operating expenses	<u>69,964,188</u>	<u>67,140,616</u>	<u>592,165</u>	<u>683,664</u>
Operating income (loss)	<u>(47,478,175)</u>	<u>(44,212,590)</u>	<u>(112,359)</u>	<u>628,314</u>
Nonoperating revenues (expenses):				
State appropriations	18,288,097	17,919,724	-	-
Ad valorem property taxes for maintenance and operations	3,359,627	3,301,143	-	-
Federal grants and contracts	22,588,765	23,451,372	-	-
State grants and contracts	2,083,489	1,668,721	-	-
Local grants and contracts	94,685	63,216	-	-
Investment income	129,125	160,404	439,758	318,828
Gifts	1,414,538	975,840	-	-
Interest on capital asset-related debt	(1,234,432)	(1,257,512)	-	-
Other nonoperating revenues (expenses), net	349,148	291,260	-	(1,539,061)
Net nonoperating revenues	<u>47,073,042</u>	<u>46,574,168</u>	<u>439,758</u>	<u>(1,220,233)</u>
Income before special item	(405,133)	2,361,578	327,399	(591,919)
Special item:				
Contributed real estate improvements and equipment	-	1,539,061	-	-
Increase (decrease) in net position	(405,133)	3,900,639	327,399	(591,919)
Net position - beginning of year, as restated	<u>48,242,924</u>	<u>44,342,285</u>	<u>12,649,542</u>	<u>13,241,461</u>
Net position - end of year, as restated	<u>\$ 47,837,791</u>	<u>\$ 48,242,924</u>	<u>\$ 12,976,941</u>	<u>\$ 12,649,542</u>

See accompanying notes to the financial statements.

Navarro College District
Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2014 and 2013

	Primary Government Navarro College District	
	2014	2013
Cash flows from operating activities		
Receipts from students and other customers	\$ 33,631,949	\$ 22,458,812
Receipts from third-party student loans	25,032,877	30,762,982
Other receipts	155,344	182,078
Loans issued to students	(26,400,688)	(29,028,802)
Payments to employees	(30,683,168)	(29,979,931)
Payments to suppliers and students	(42,469,316)	(32,712,711)
Net cash used in operating activities	<u>(40,733,002)</u>	<u>(38,317,572)</u>
Cash flows from noncapital financing activities		
Receipts of state appropriations	16,445,281	16,106,379
Receipts from ad valorem property taxes for maintenance and operation	3,376,265	3,328,810
Receipts of grants and contracts	18,547,235	28,406,537
Receipts from gifts for other than capital purposes	1,414,538	788,152
Receipts from others	349,148	-
Net cash provided by noncapital financing activities	<u>40,132,467</u>	<u>48,629,878</u>
Cash flows from capital and related financing activities		
Proceeds from capital donation	51,854	-
Purchases of capital assets	(2,761,316)	(7,903,378)
Payments on capital debt principal	(2,465,000)	(2,460,000)
Payments on capital debt interest	(1,321,401)	(1,260,329)
Net cash provided by (used in) capital and related financing activities	<u>(6,495,863)</u>	<u>(11,623,707)</u>
Cash flows from investing activities		
Receipts from interest on investments	129,041	158,963
Net cash provided by investing activities	<u>129,041</u>	<u>158,963</u>
Net increase (decrease) in cash and cash equivalents	(6,967,357)	(1,152,438)
Cash and cash equivalents - beginning of year	20,588,299	21,740,737
Cash and cash equivalents - end of year	<u>\$ 13,620,942</u>	<u>\$ 20,588,299</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (47,478,175)	\$ (44,212,590)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,997,893	1,968,446
On-behalf payments	1,842,816	1,813,345
Change in assets, deferred outflows of resources, and liabilities:		
Receivables, net	1,052,837	1,803,438
Deferred outflows of resources	63,220	-
Inventories	372,769	(77,126)
Prepaid expenses	285,861	259,616
Accounts payable	392,841	281,879
Accrued liabilities	(1,496)	1,364
Funds held for others	(12,736)	(58,105)
Unearned revenue	541,498	(298,290)
Accrued compensated absences	194,192	227,849
Accrued claims and judgments	15,478	(27,398)
Net cash used in operating activities	<u>\$ (40,733,002)</u>	<u>\$ (38,317,572)</u>
Noncash investing, capital and financing activities:		
State appropriations on-behalf payments	<u>\$ 1,842,816</u>	<u>\$ 1,813,345</u>
Contributed real estate improvements and equipment	<u>\$ -</u>	<u>\$ 1,539,061</u>
Forgiveness of loan payable	<u>\$ -</u>	<u>\$ 225,000</u>

See accompanying notes to the financial statements.



Navarro College District
Notes to Financial Statements
August 31, 2014 and 2013

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 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. However, the majority of resources, or income thereon that the Foundation holds and invests, are for the benefit of the District or its constituents. Because the net position of the Foundation compared to the District is significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2014 and 2013, the Foundation expended \$375,434 and \$236,760, respectively, directly to the District or to the District on behalf of students for scholarships. Complete financial statements for the Foundation can be obtained from the Foundation office at 3100 W. Collin, Corsicana, Texas 75110.

The District is reported as a special-purpose government engaged in business-type activities. The significant accounting policies followed by the District in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. These accounting policies basically conform to generally accepted accounting principles applicable to government units.

A. Basis of Accounting

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

Navarro College District

Notes to Financial Statements (continued)

Note 2 - Summary of Significant Accounting Policies

A. Basis of Accounting (continued)

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. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net position since they do not constitute expenditures or liabilities.

C. Scholarship Allowances and Discounts

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net 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. Scholarship Allowances and Discounts (continued)

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

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

D. Cash and Cash Equivalents

The District's cash and cash equivalents for purposes of reporting cash flows consist of cash on hand, demand deposits, and certificates of deposit.

E. Inventories

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

F. Restricted Cash and Cash Equivalents

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

G. Capital Assets

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

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

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

Navarro College District

Notes to Financial Statements (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

H. Unearned Revenue

Unearned revenue of the District at August 31, 2014 and 2013, consists of the following amounts which have not yet been earned:

	<u>2014</u>	<u>2013</u>
Tuition and fees	\$ 10,362,582	\$ 9,217,798
Auxiliary	1,903,704	2,243,639
Federal grants	-	4,893,118
	<u>\$ 12,266,286</u>	<u>\$ 16,354,555</u>

I. Use of Estimates

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

J. Change in Accounting Principle

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during 2014. With the adoption of GASB No. 65, deferred amounts on refunding previously reported as a liability are now reported as a deferred outflow of resources. In addition, bond issuance costs that were previously being amortized over the life of the related debt have been written off as of the beginning of the fiscal year resulting in a prior period adjustment.

K. 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, 2014 and 2013, consist of the following:

	2014	2013
Cash - demand deposits	\$ 12,369,397	\$ 18,337,254
Cash - certificates of deposit	1,245,600	2,245,600
Cash - petty cash on hand	5,945	5,445
Total deposits	\$ 13,620,942	\$ 20,588,299

Deposits and investments of the Foundation at August 31, 2014 and 2013, consist of the following:

	2014	2013
<u>Deposits</u>		
Cash - demand deposits	\$ 141,031	\$ 232,889
Total deposits	141,031	232,889
<u>Investments</u>		
Certificates of deposit	1,000,090	-
U. S. government securities	481,118	587,656
Corporate bonds	478,972	494,690
Marketable equity securities	1,904,279	2,093,224
Other investments	14,186	749,554
Total investments	3,878,645	3,925,124
Total deposits and investments	\$ 4,019,676	\$ 4,158,013

Navarro College District

Notes to Financial Statements (continued)

Note 4 - Deposits and Investments (continued)

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

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

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

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

Note 5 - Accounts Receivable

Accounts receivable at August 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Tuition and fees	\$ 9,995,842	\$ 9,950,634
Ad valorem property taxes	236,526	253,164
Federal and state grants	2,778,944	1,832,454
Interest	5,630	5,547
Auxiliary and other	<u>2,031,462</u>	<u>2,537,914</u>
	15,048,404	14,579,713
Less allowance for doubtful accounts	<u>(1,411,516)</u>	<u>(1,411,516)</u>
Accounts receivable, net	<u><u>\$13,636,888</u></u>	<u><u>\$13,168,197</u></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, 2014 was as follows:

	Balance September 1, 2013	Additions	Transfers and Retirements	Balance August 31, 2014
Capital assets, not being depreciated:				
Land	\$ 2,641,656	\$ -	\$ -	\$ 2,641,656
Collections	434,339	-	-	434,339
Construction in progress	169,021	-	(169,021)	-
	<u>3,245,016</u>	<u>-</u>	<u>(169,021)</u>	<u>3,075,995</u>
Capital assets, being depreciated:				
Buildings and building improvements	72,571,286	1,798,414	-	74,369,700
Other real estate improvements	7,268,678	321,871	-	7,590,549
Total buildings and other real estate improvements	79,839,964	2,120,285	-	81,960,249
Library books	1,553,593	51,745	-	1,605,338
Furniture and equipment	6,638,363	97,223	(219,406)	6,516,180
	<u>88,031,920</u>	<u>2,269,253</u>	<u>(219,406)</u>	<u>90,081,767</u>
Less accumulated depreciation:				
Buildings and building improvements	(16,893,699)	(1,321,805)	-	(18,215,504)
Other real estate improvements	(2,666,382)	(265,546)	-	(2,931,928)
Total buildings and other real estate improvements	(19,560,081)	(1,587,351)	-	(21,147,432)
Library books	(1,057,645)	(60,876)	-	(1,118,521)
Furniture and equipment	(4,043,783)	(349,666)	219,406	(4,174,043)
	<u>(24,661,509)</u>	<u>(1,997,893)</u>	<u>219,406</u>	<u>(26,439,996)</u>
	<u>63,370,411</u>	<u>271,360</u>	<u>-</u>	<u>63,641,771</u>
	<u>\$ 66,615,427</u>	<u>\$ 271,360</u>	<u>\$ (169,021)</u>	<u>\$ 66,717,766</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, 2013 was as follows:

	Balance September 1, 2012	Additions	Transfers and Retirements	Balance August 31, 2013
Capital assets, not being depreciated:				
Land	\$ 2,641,656	\$ -	\$ -	\$ 2,641,656
Collections	434,339	-	-	434,339
Construction in progress	543,090	169,021	(543,090)	169,021
	<u>3,619,085</u>	<u>169,021</u>	<u>(543,090)</u>	<u>3,245,016</u>
Capital assets, being depreciated:				
Buildings and building improvements	64,686,599	7,884,687	-	72,571,286
Other real estate improvements	5,590,997	1,677,681	-	7,268,678
Total buildings and other real estate improvements	70,277,596	9,562,368	-	79,839,964
Library books	1,499,285	54,308	-	1,553,593
Furniture and equipment	6,023,753	648,528	(33,918)	6,638,363
	<u>77,800,634</u>	<u>10,265,204</u>	<u>(33,918)</u>	<u>88,031,920</u>
Less accumulated depreciation:				
Buildings and building improvements	(15,645,758)	(1,247,941)	-	(16,893,699)
Other real estate improvements	(2,433,310)	(233,072)	-	(2,666,382)
Total buildings and other real estate improvements	(18,079,068)	(1,481,013)	-	(19,560,081)
Library books	(996,351)	(61,294)	-	(1,057,645)
Furniture and equipment	(3,651,560)	(426,141)	33,918	(4,043,783)
	<u>(22,726,979)</u>	<u>(1,968,448)</u>	<u>33,918</u>	<u>(24,661,509)</u>
	<u>55,073,655</u>	<u>8,296,756</u>	<u>-</u>	<u>63,370,411</u>
	<u>\$ 58,692,740</u>	<u>\$ 8,465,777</u>	<u>\$ (543,090)</u>	<u>\$ 66,615,427</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, 2014 was as follows:

	Balance September 1, 2013	Additions	Transfers and Retirements	Balance August 31, 2014
Capital assets, not being depreciated:				
Construction in progress	\$ 186,957	\$ 319,169	\$ -	\$ 506,126
Collections	8,433,938	7,650	-	8,441,588
	<u>8,620,895</u>	<u>326,819</u>	<u>-</u>	<u>8,947,714</u>
Capital assets, being depreciated:				
Furniture and equipment	22,042	-	-	22,042
	<u>22,042</u>	<u>-</u>	<u>-</u>	<u>22,042</u>
Less accumulated depreciation:				
Furniture and equipment	(19,956)	(2,086)	-	(22,042)
	<u>(19,956)</u>	<u>(2,086)</u>	<u>-</u>	<u>(22,042)</u>
	<u>2,086</u>	<u>(2,086)</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,622,981</u>	<u>\$ 324,733</u>	<u>-</u>	<u>\$ 8,947,714</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, 2013 was as follows:

	Balance September 1, 2012	Additions	Transfers and Retirements	Balance August 31, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 186,957	\$ -	\$ 186,957
Collections	8,433,938	-	-	8,433,938
	<u>8,433,938</u>	<u>186,957</u>	<u>-</u>	<u>8,620,895</u>
Capital assets, being depreciated:				
Furniture and equipment	135,471	-	(113,429)	22,042
Leasehold improvements	1,457,390	-	(1,457,390)	-
	<u>1,592,861</u>	<u>-</u>	<u>(1,570,819)</u>	<u>22,042</u>
Less accumulated depreciation:				
Furniture and equipment	(27,907)	(3,149)	11,100	(19,956)
Leasehold improvements	(20,658)	-	20,658	-
	<u>(48,565)</u>	<u>(3,149)</u>	<u>31,758</u>	<u>(19,956)</u>
	<u>1,544,296</u>	<u>(3,149)</u>	<u>(1,539,061)</u>	<u>2,086</u>
	<u>\$ 9,978,234</u>	<u>\$ 183,808</u>	<u>\$ (1,539,061)</u>	<u>\$ 8,622,981</u>

Navarro College District

Notes to Financial Statements (continued)

Note 7 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Reductions	Balance August 31, 2014	Due Within One Year
Bonds and loan payable:					
Revenue bonds	\$ 29,060,000	\$ -	\$ (2,310,000)	\$ 26,750,000	\$ 2,385,000
Issuance premiums	983,692	-	(66,316)	917,376	-
Loan payable	1,275,000	-	-	1,275,000	-
Total bonds and loan payable	31,318,692	-	(2,376,316)	28,942,376	2,385,000
Capital lease	3,651,116	-	(155,000)	3,496,116	165,000
Other liabilities:					
Compensated absences	2,274,310	531,273	(337,081)	2,468,502	195,154
Claims and judgments	107,436	58,255	(42,777)	122,914	30,728
	<u>\$ 37,351,554</u>	<u>\$ 589,528</u>	<u>\$ (2,911,174)</u>	<u>\$ 35,029,908</u>	<u>\$ 2,775,882</u>

Long-term liability activity for the year ended August 31, 2013 was as follows:

	2012	Additions	Reductions	2013	One Year
Bonds and loan payable:					
Revenue bonds	\$ 31,370,000	\$ -	\$ (2,310,000)	\$ 29,060,000	\$ 2,310,000
Issuance premiums	1,050,009	-	(66,317)	983,692	-
Loan payable	1,500,000	-	(225,000)	1,275,000	-
Total bonds and loan payable	33,920,009	-	(2,601,317)	31,318,692	2,310,000
Capital lease	3,801,116	-	(150,000)	3,651,116	155,000
Other liabilities:					
Compensated absences	2,046,461	319,377	(91,528)	2,274,310	204,669
Claims and judgments	134,834	12,190	(39,588)	107,436	26,859
	<u>\$ 39,902,420</u>	<u>\$ 331,567</u>	<u>\$ (2,882,433)</u>	<u>\$ 37,351,554</u>	<u>\$ 2,696,528</u>

Navarro College District

Notes to Financial Statements (continued)

Note 7 - Long-Term Liabilities (continued)

Revenue bonds at August 31, 2014 and 2013, which were all issued to provide funds for the acquisition and construction of major capital facilities, are comprised of the following individual issues:

	2014	2013
\$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2027; interest at 3.7%	\$ 2,445,000	\$ 2,605,000
\$3,550,000 series 2007 revenue bonds due in annual installments of \$120,000 to \$250,000 through May 2027; interest at 4.08%	2,600,000	2,750,000
\$4,075,000 series 2009 revenue bonds due in annual installments of \$135,000 to \$300,000 through May 2029; interest at 4.56%	3,340,000	3,495,000
\$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%	18,365,000	20,210,000
	\$ 26,750,000	\$ 29,060,000

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, 2014, are as follows:

For the Year Ended August 31,	Revenue Bonds		Total
	Principal	Interest	
2015	\$ 2,385,000	\$ 1,019,449	\$ 3,404,449
2016	2,460,000	942,574	3,402,574
2017	2,560,000	843,632	3,403,632
2018	1,495,000	740,656	2,235,656
2019	1,540,000	696,976	2,236,976
2020-2024	8,585,000	2,615,065	11,200,065
2025-2029	7,725,000	753,869	8,478,869
	<u>\$ 26,750,000</u>	<u>\$ 7,612,221</u>	<u>\$ 34,362,221</u>

The District has pledged certain future tuition and fees to repay \$26.8 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 \$34.4 million. Principal and interest paid for the current year and total of pledged tuition and fees were \$3.4 million and \$11.9 million, respectively.

Note 8 - Capital Lease Obligations

The District leases a building under a noncancelable capital lease agreement that expires in August 2029. Amortization of assets held under capital leases is included with depreciation expense. Assets under capital leases at August 31, 2014 consisted of the following:

Building	\$ 4,651,416
Less: accumulated amortization	<u>(733,875)</u>
	<u>\$ 3,917,541</u>

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, 2014 are as follows:

<u>Fiscal Year</u>	
2015	\$ 321,125
2016	318,700
2017	321,900
2018	324,700
2019	327,005
2019-2024	1,675,150
2025-2029	<u>1,630,296</u>
Total minimum lease payments	4,918,876
Less amounts representing interest (at rates ranging from 4% to 5%)	<u>(1,422,760)</u>
Present value of minimum capital lease payments	<u><u>\$ 3,496,116</u></u>

Note 9 - Employees' Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or if the amortization period already exceeds 31 years, the period would be increased by such action. These amounts are set by the General Appropriations Act of the state. In certain circumstances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceed the statutory minimum.

Navarro College District

Notes to Financial Statements (continued)

Note 9 - Employees' Retirement Plan - continued

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 2012, 2013, and 2014 are shown in the table below.

Year	Member (TRS/ORP)		State (TRS/ORP)	
	Rate	Amount	Rate	Amount
2014	6.4%/6.65%	\$ 1,312,808	6.8%/6.6%	\$ 1,378,111
2013	6.4%/6.65%	1,329,642	6.4%/6%	1,104,377
2012	6.4%/6.65%	1,251,078	6%/6%	986,700

State contributions to TRS and 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 \$25,588,991 and \$25,417,467 for the years ended August 31, 2014 and 2013, respectively. The total payroll of employees covered by TRS was \$16,125,155 and \$16,476,455, and the total payroll of employees covered by ORP was \$4,222,535 and \$4,299,196 for the years ended August 31, 2014 and 2013, respectively.

Note 10 - Compensated Absences

Full-time employees earn vacation at 6.67 hours per month. The District's policy is that any employee may carry accrued vacation forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid vacation of \$499,207 and \$491,066 at August 31, 2014 and 2013, 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:

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

Navarro College District

Notes to Financial Statements (continued)

Note 10 - Compensated Absences - continued

The District recognized an accrued liability for the unpaid sick leave of \$1,913,719 and \$1,728,780 at August 31, 2014 and 2013, respectively. The District recognized an accrued liability for unpaid compensatory time of \$55,576 and \$54,464 at August 31, 2014 and 2013, respectively.

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$104,104. The claims liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability does not include amounts for non-incremental claim adjustment expenses. Estimated future payments for incurred claims are charged to operating expenses. Changes in the balance of claims liability included in accrued liabilities during the past three years are as follows:

	2014	2013	2012
Unpaid claims, beginning of year	\$ 107,436	\$ 134,834	\$ 85,021
Incurred claims (including IBNR) and changes to prior year estimates	58,255	12,190	101,243
Claim payments	(42,777)	(39,588)	(51,430)
Unpaid claims, end of year	\$ 122,914	\$ 107,436	\$ 134,834

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.

Navarro College District

Notes to Financial Statements (continued)

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

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, 2014, 2013 and 2012 were \$553,816, \$490,784, and \$438,752, 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, 2014, 2013 and 2012 were \$68,647, \$54,574, and \$47,865, 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 \$991,673 and \$1,024,965 in 2014 and 2013, respectively. Participant contributions were \$619,798 and \$640,605 in 2014 and 2013, 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:

	2014	2013
Assessed valuation of the District	\$ 2,903,869,194	\$ 2,870,855,246
Less: Abatements	21,583,189	25,086,248
Less: Exemptions	116,588,253	71,509,631
Net assessed valuation of the District	\$ 2,765,697,752	\$ 2,774,259,367

Tax rates authorized and assessed during fiscal year 2014 are as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation for authorized	\$0.500000	\$0.500000	\$1.000000
Tax rate per \$100 valuation for assessed	0.120200	0.000000	0.120200

Navarro College District

Notes to Financial Statements (continued)

Note 14 - Ad Valorem Property Taxes - continued

Tax rates authorized and assessed during fiscal year 2013 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	0.119000	-	0.119000

Taxes levied for the year ended August 31, 2014 are \$3,320,291. 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, 2014 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 3,241,206	\$ -	\$ 3,241,206
Delinquent taxes collected	90,307	-	90,307
Penalties and interest collected	<u>58,949</u>	<u>-</u>	<u>58,949</u>
 Total collections	 <u>\$ 3,390,462</u>	 <u>\$ -</u>	 <u>\$ 3,390,462</u>

Taxes levied for the year ended August 31, 2013 are \$3,294,376. 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, 2013 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 3,203,423	\$ -	\$ 3,203,423
Delinquent taxes collected	81,632	-	81,632
Penalties and interest collected	<u>57,417</u>	<u>-</u>	<u>57,417</u>
 Total collections	 <u>\$ 3,342,472</u>	 <u>\$ -</u>	 <u>\$ 3,342,472</u>

Current tax collections for the years ended August 31, 2014 and 2013 were 97.62% and 97.24%, 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 - Budgets

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

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 2014 or 2013.

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 contributions from the Foundation for the years ended August 31, 2014 and 2013 in the amount of \$3,909 and \$6,240, respectively. As discussed in Note 1, the Foundation expended \$375,434 and \$236,760 for the years ended August 31, 2014 and 2013, respectively, directly to the District or to the District on behalf of students for scholarships. The District received contributed other real estate improvements and equipment of \$1,539,061 from the Foundation in 2013.

Navarro College District

Notes to Financial Statements (continued)

Note 21 - Authoritative Pronouncements Not Yet Adopted

Beginning with fiscal year 2015, the District will implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. GASB No. 68 will require entities that participate in the Teacher's Retirement System of Texas (TRS) to recognize their proportionate share of the net pension liability. An actuarial valuation as of August 31, 2013, reported that TRS's unfunded pension liability is \$28.9 billion. Based on an allocation of total contributions, the District's portion was \$3.7 million for fiscal year 2013 or 0.01262% of the total unfunded liability.

Note 22 - Prior Period Adjustments

During the year, it was discovered that the Foundation owed the District \$202,167 for scholarships that had been awarded in prior years but not paid. These amounts were paid in the current year.

As a result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District has restated the beginning net position in the Statement of Net Position. The decrease results from no longer deferring and amortizing bond issuance costs. Further, the District has restated its long-term liabilities to reflect that a component of those liabilities as of August 31, 2012, deferred charge of refunding, is now reported as a deferred outflow of resources in the Statement of Net Position. The effect of this change, as of August 31, 2012, is an increase of \$1,000,978 in long-term liabilities and a corresponding increase in deferred outflows of resources.

The effects of these prior period adjustments as of August 31, 2014, 2013, and 2012 are described further below.

	Navarro College District			Navarro College Foundation
	2014	2013	2012	2014
Total Net Position, as originally stated	\$ 48,528,238	\$ 44,863,021	\$ 40,163,998	\$ 12,851,709
Effects of prior period adjustments:				
GASBS No. 65 (bond issuance costs)	(487,481)	(520,736)	(387,554)	
Foundation Scholarships	202,167	-	-	(202,167)
Total Net Position, as restated	\$ 48,242,924	\$ 44,342,285	\$ 39,776,444	\$ 12,649,542

Note 23 - Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through December 11, 2014, the date on which the financial statements were available to be issued, and has determined that there are no other items to disclose.

SUPPLEMENTARY INFORMATION

Navarro College District

**Schedule of Operating Revenues
(Schedule A)**

**Year Ended August 31, 2014
(With Totals for the Year Ended August 31, 2013)**

	Unrestricted	Restricted	Total		Total	
			Educational Activities	Auxiliary Enterprises	2014	2013
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 1,355,919	\$ -	\$ 1,355,919	\$ -	\$ 1,355,919	\$ 1,420,372
Out-of-district resident tuition	6,155,738	-	6,155,738	-	6,155,738	5,980,599
Non-resident tuition	717,802	-	717,802	-	717,802	710,239
TPEG - credit (set aside)	461,744	-	461,744	-	461,744	458,163
State funded continuing education	399,402	-	399,402	-	399,402	419,667
TPEG - non-credit (set aside)	23,201	-	23,201	-	23,201	24,333
Non-state funded educational programs	17,298	-	17,298	-	17,298	16,897
Total tuition	9,131,104	-	9,131,104	-	9,131,104	9,030,270
Fees:						
Building use fees	3,753,843	-	3,753,843	-	3,753,843	3,816,433
Student services fees	986,917	-	986,917	-	986,917	1,050,989
Laboratory fees	424,401	-	424,401	-	424,401	426,942
Out-of-district fees	5,344,521	-	5,344,521	-	5,344,521	5,624,975
Other fees	194,413	-	194,413	-	194,413	195,501
Total fees	10,704,095	-	10,704,095	-	10,704,095	11,114,840
Scholarship allowances and discounts:						
Scholarship allowance	(5,005,815)	-	(5,005,815)	-	(5,005,815)	(5,552,572)
TPEG awards	(799,596)	-	(799,596)	-	(799,596)	(390,045)
Total scholarship allowances	(5,805,411)	-	(5,805,411)	-	(5,805,411)	(5,942,617)
Total net tuition and fees	14,029,788	-	14,029,788	-	14,029,788	14,202,493
Additional operating revenues:						
Sales and services of educational activities	521,857	-	521,857	-	521,857	508,065
Other operating revenues	155,344	-	155,344	-	155,344	182,078
Total additional operating revenues	677,201	-	677,201	-	677,201	690,143
Auxiliary enterprises:						
Bookstore	-	-	-	5,402,823	5,402,823	6,059,145
less discounts	-	-	-	(1,368,418)	(1,368,418)	(1,400,760)
Dining services	-	-	-	2,643,555	2,643,555	2,571,341
less discounts	-	-	-	(622,008)	(622,008)	(636,709)
Housing	-	-	-	2,149,061	2,149,061	1,895,365
less discounts	-	-	-	(497,607)	(497,607)	(509,367)
Athletic sales and student programs	-	-	-	10,302	10,302	14,731
Gift shop	-	-	-	12,320	12,320	19,718
Other auxiliary enterprises	-	-	-	48,996	48,996	21,926
Total net auxiliary enterprises	-	-	-	7,779,024	7,779,024	8,035,390
Total operating revenues	\$ 14,706,989	\$ -	\$ 14,706,989	\$ 7,779,024	\$ 22,486,013	\$ 22,928,026

In accordance with Education Code 56.033, \$484,945 and \$482,496 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2014 and 2013, respectively.

See accompanying independent auditors' report.

Navarro College District

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

**Year Ended August 31, 2014
(With Totals for the Year Ended August 31, 2013)**

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2014	2013
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 13,489,756	\$ -	\$ 3,060,555	\$ 1,133,665	\$ 17,683,976	\$ 17,254,240
Public service	33,785	-	7,665	5,561	47,011	46,985
Academic support	2,676,661	-	607,281	522,280	3,806,222	3,636,633
Student services	2,376,113	-	539,092	653,980	3,569,185	3,663,862
Institutional support	3,003,712	-	681,482	3,078,902	6,764,096	5,971,847
Operation and maintenance of plant	774,860	-	175,800	2,749,976	3,700,636	3,997,462
Total unrestricted educational activities	<u>22,354,887</u>	<u>-</u>	<u>5,071,875</u>	<u>8,144,364</u>	<u>35,571,126</u>	<u>34,571,029</u>
Restricted - educational activities:						
Instruction	628,643	837,552	99,494	964,007	2,529,696	1,849,810
Public service	147,191	2,098	43,965	35,542	228,796	223,884
Academic support	-	166,189	-	-	166,189	111,505
Student services	426,005	147,528	90,736	126,919	791,188	944,501
Institutional support	3,109	186,495	470	43,961	234,035	172,595
Operation and maintenance of plant	-	48,110	-	-	48,110	33,156
Scholarships and fellowships	-	-	-	16,571,886	16,571,886	15,761,613
Total restricted educational activities	<u>1,204,948</u>	<u>1,387,972</u>	<u>234,665</u>	<u>17,742,315</u>	<u>20,569,900</u>	<u>19,097,064</u>
Total educational activities	<u>23,559,835</u>	<u>1,387,972</u>	<u>5,306,540</u>	<u>25,886,679</u>	<u>56,141,026</u>	<u>53,668,093</u>
Auxiliary enterprises	<u>2,029,156</u>	<u>-</u>	<u>452,151</u>	<u>9,343,962</u>	<u>11,825,269</u>	<u>11,504,077</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	1,587,351	1,587,351	1,481,013
Equipment and furniture	-	-	-	349,666	349,666	426,139
Library books	-	-	-	60,876	60,876	61,294
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,997,893</u>	<u>1,997,893</u>	<u>1,968,446</u>
Total operating expenses	<u>\$ 25,588,991</u>	<u>\$ 1,387,972</u>	<u>\$ 5,758,691</u>	<u>\$ 37,228,534</u>	<u>\$ 69,964,188</u>	<u>\$ 67,140,616</u>

See accompanying independent auditors' report.

Navarro College District

**Schedule of Nonoperating Revenues and Expenses
(Schedule C)**

**Year Ended August 31, 2014
(With Totals for the Year Ended August 31, 2013)**

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2014	2013
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 16,319,691	\$ -	\$ -	\$ 16,319,691	\$ 15,861,991
State group insurance	-	1,387,971	-	1,387,971	953,356
State retirement matching	-	580,435	-	580,435	1,104,377
Total state appropriations	<u>16,319,691</u>	<u>1,968,406</u>	<u>-</u>	<u>18,288,097</u>	<u>17,919,724</u>
Maintenance ad valorem taxes	3,359,627	-	-	3,359,627	3,301,143
Federal grants and contracts	-	22,588,765	-	22,588,765	23,451,372
State grants and contracts	-	2,083,489	-	2,083,489	1,668,721
Local grants and contracts	-	94,685	-	94,685	63,216
Investment income	105,824	7,416	15,885	129,125	160,404
Gifts and donations	-	1,414,538	-	1,414,538	975,840
Other nonoperating revenues	363,081	-	-	363,081	319,647
Total nonoperating revenues	<u>20,148,223</u>	<u>28,157,299</u>	<u>15,885</u>	<u>48,321,407</u>	<u>47,860,067</u>
Nonoperating expenses:					
Interest on capital related debt	1,234,432	-	-	1,234,432	1,257,512
Other nonoperating expenses	13,933	-	-	13,933	28,387
Total nonoperating expenses	<u>1,248,365</u>	<u>-</u>	<u>-</u>	<u>1,248,365</u>	<u>1,285,899</u>
Net nonoperating revenues	<u>\$ 18,899,858</u>	<u>\$ 28,157,299</u>	<u>\$ 15,885</u>	<u>\$ 47,073,042</u>	<u>\$ 46,574,168</u>

See accompanying independent auditors' report.

Navarro College District

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

Year Ended August 31, 2014

	Detail by Source				Available for Current Operation	
	Unrestricted	Restricted - Expendable	Net Investment in		Yes	No
			Capital Assets	Total		
Current:						
Unrestricted	\$ 6,829,985	\$ -	\$ -	\$ 6,829,985	\$ 6,829,985	\$ -
Auxiliary	3,313,029	-	-	3,313,029	3,313,029	-
Scholarships and fellowships	-	2,006,219	-	2,006,219	-	2,006,219
Plant:						
Debt service	-	366,611	-	366,611	-	366,611
Investment in plant	-	-	35,321,947	35,321,947	-	35,321,947
Total net position, August 31, 2014	10,143,014	2,372,830	35,321,947	47,837,791	10,143,014	37,694,777
Total net position, August 31, 2013, as restated	13,317,142	2,901,585	32,024,197	48,242,924	13,317,142	34,925,782
Net increase (decrease) in net position	<u>\$ (3,174,128)</u>	<u>\$ (528,755)</u>	<u>\$ 3,297,750</u>	<u>\$ (405,133)</u>	<u>\$ (3,174,128)</u>	<u>\$ 2,768,995</u>

See accompanying independent auditors' report.

Navarro College District

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

Year Ended August 31, 2014

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Assistance Cluster:			
<i>Federal Supplemental Education Opportunity Grant Program</i>	84.007		\$ 144,461
<i>Federal Work Study Program</i>	84.033		222,037
<i>Federal Pell Grant Program</i>	84.063		20,300,948
<i>Federal Direct Student Loans</i>	84.268		26,400,688
<i>Teacher Education Assistance for College and Higher Education</i>	84.379		9,400
Total Student Financial Assistance Cluster			<u>47,077,534</u>
TRIO Cluster:			
<i>TRIO - Student Support Services</i>	84.042A		<u>354,875</u>
Total Direct Programs			47,432,409
Pass Through From Texas Education Agency:			
<i>Adult Basic Education</i>	84.002A	0414ABE002	353,928
Pass Through From Texas Workforce Commission:			
<i>Adult Education & Family Literacy Act (AEFLA)</i>	84.002A	0414AELA02	2,056
Pass Through From Texas Higher Education Coordinating Board:			
<i>Vocational Education - Carl Perkins</i>	84.048A	142052	620,251
<i>Vocational Education - Carl Perkins Leadership</i>	84.048A	141105	60,441
Total U. S. Department of Education			<u>\$ 48,469,085</u>

Navarro College District

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

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Federal Expenditures</u>
U. S. Department of Labor			
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	<u>\$ 368,841</u>
Total U.S. Department of Labor			<u>368,841</u>
U. S. Small Business Administration			
Pass Through From Dallas County Community College District:			
<i>Small Business Development Center</i>	59.037	4-603001-EZ-0015	93,594
<i>Small Business Job Acts Program</i>	59.037	1-603001-Z-0152	<u>26,676</u>
Total U. S. Small Business Administration			<u>120,270</u>
U. S. Department of Health and Human Services			
Pass Through From Texas Education Agency:			
TANF Cluster:			
<i>Temporary Assistance for Needy Families</i>	93.558	0414ABE002	<u>31,257</u>
Total U.S. Department of Health and Human Services			<u>31,257</u>
Total Federal Awards			<u><u>\$ 48,989,453</u></u>

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

Navarro College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2014

Note 1 - Federal Revenue Reconciliation

Federal revenues for the year ended August 31, 2014 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 22,588,765
Add: Federal Direct Student Loans made	<u>26,400,688</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$48,989,453</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, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net 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 OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Navarro College District

**Schedule of Expenditures of State Awards
(Schedule F)**

Year Ended August 31, 2014

Grantor/Pass-Through Grantor/ Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board:		
<i>State Work Study</i>		\$ 65,495
<i>Texas Grant Program</i>		944,999
<i>Texas Education Opportunity Grant</i>		339,597
<i>Texas Tomorrow Fund</i>		58,425
<i>Top 10%</i>		11,500
<i>Nursing Innovation Grant Fund</i>	13049	285
<i>Nursing Shortage Grant Program Over 70</i>		132,554
Total Texas Higher Education Coordinating Board		<u>1,552,855</u>
Texas Education Agency:		
<i>State Adult Education</i>	0414ABE002	<u>87,067</u>
Total Texas Education Agency		<u>87,067</u>
Texas Department of State Health Services:		
Passed through Texas Education Agency:		
<i>Temporary Assistance for Needy Families</i>	0414ABE002	<u>16,451</u>
Total Texas Department of State Health Services		<u>16,451</u>
Texas Workforce Commission:		
<i>Skills Development - Mfg Consortium-Owens</i>	0414SDF001	8,815
<i>Skills Development - Americase</i>	0414SSD001	2,387
<i>Skills Development - CertainTeed</i>	0413SDF000	22,664
<i>Skills Development - Pactiv</i>	0413SDF002	<u>331,013</u>
Total Texas Workforce Commission		<u>364,879</u>
<i>Small Business Development Center</i>	10-803001-Z-0076-24	<u>56,437</u>
<i>Charley Wootan</i>		<u>5,800</u>
Total State Awards		<u>\$ 2,083,489</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, 2014

Note 1 - State Revenue Reconciliation

State revenues for the year ended August 31, 2014 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	<u>\$ 2,083,489</u>
Total per Schedule of Expenditures of State Awards	<u>\$ 2,083,489</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, 2014. 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.



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>2014</u>	<u>2013 (1)</u>	<u>2012 (1)</u>	<u>2011 (1)</u>
Net investment in capital assets	35,321,947	32,024,197	26,918,301	25,643,850
Restricted	2,372,830	2,901,585	2,963,556	3,018,291
Unrestricted	<u>10,143,014</u>	<u>13,317,142</u>	<u>14,460,428</u>	<u>11,114,303</u>
Total net position	<u><u>47,837,791</u></u>	<u><u>48,242,924</u></u>	<u><u>44,342,285</u></u>	<u><u>39,776,444</u></u>

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

Source: Navarro College District's financial statements

Table 1

August 31,					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
23,238,115	22,732,156	21,529,891	20,425,989	21,532,452	21,173,689
3,007,776	3,170,455	3,371,239	3,344,836	3,270,450	3,282,817
<u>10,190,160</u>	<u>6,790,966</u>	<u>5,412,801</u>	<u>5,867,427</u>	<u>4,394,142</u>	<u>4,036,085</u>
<u><u>36,436,051</u></u>	<u><u>32,693,577</u></u>	<u><u>30,313,931</u></u>	<u><u>29,638,252</u></u>	<u><u>29,197,044</u></u>	<u><u>28,492,591</u></u>

Navarro College District

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

	For the Year Ended August 31,			
	2014	2013	2012	2011
Tuition and fees (net of discounts)	\$ 14,029,788	\$ 14,202,493	\$ 15,014,906	\$ 13,759,423
Sales and services of educational activities	521,857	508,065	448,874	421,584
Auxiliary enterprises (net of discounts)	7,779,024	8,035,390	8,390,017	8,027,928
Other operating revenues	155,344	182,078	129,911	100,877
Total operating revenues	<u>22,486,013</u>	<u>22,928,026</u>	<u>23,983,708</u>	<u>22,309,812</u>
State appropriations	18,288,097	17,919,724	17,530,761	16,383,691
Ad valorem taxes for maintenance and operations	3,359,627	3,301,143	3,228,761	3,122,756
Federal grants and contracts	22,588,765	23,451,372	24,701,880	27,228,331
State grants and contracts	2,083,489	1,668,721	1,339,234	1,911,420
Local grants and contracts	94,685	63,216	78,135	124,667
Investment income	129,125	160,404	146,902	153,555
Gifts	1,414,538	975,840	834,579	762,018
Other non-operating revenues	349,148	291,260	62,511	64,560
Gain on sale of capital assets	-	-	-	-
Total non-operating revenues	<u>48,307,474</u>	<u>47,831,680</u>	<u>47,922,763</u>	<u>49,750,998</u>
Total revenues	<u>\$ 70,793,487</u>	<u>\$ 70,759,706</u>	<u>\$ 71,906,471</u>	<u>\$ 72,060,810</u>
Tuition and fees (net of discounts)	19.82%	20.07%	20.88%	19.09%
Sales and services of educational activities	0.74%	0.72%	0.62%	0.59%
Auxiliary enterprises (net of discounts)	10.99%	11.36%	11.67%	11.14%
Other operating revenues	0.22%	0.26%	0.18%	0.14%
Total operating revenues	<u>31.76%</u>	<u>32.40%</u>	<u>33.35%</u>	<u>30.96%</u>
State appropriations	25.83%	25.32%	24.38%	22.74%
Ad valorem property taxes for maintenance and operations	4.75%	4.67%	4.49%	4.33%
Federal grants and contracts	31.91%	33.14%	34.35%	37.79%
State grants and contracts	2.94%	2.36%	1.86%	2.65%
Local grants and contracts	0.13%	0.09%	0.11%	0.17%
Investment income	0.18%	0.23%	0.20%	0.21%
Gifts	2.00%	1.38%	1.16%	1.06%
Other non-operating revenues	0.49%	0.41%	0.09%	0.09%
Gain on sale of capital assets	0.00%	0.00%	0.00%	0.00%
Total non-operating revenues	<u>68.24%</u>	<u>67.60%</u>	<u>66.65%</u>	<u>69.04%</u>
Total non-operating revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: Navarro College District's financial statements

Table 2

For the Year Ended August 31,					
2010	2009	2008	2007	2006	2005
\$ 13,325,558	\$ 11,425,170	\$ 10,123,664	\$ 5,361,391	\$ 5,522,555	\$ 5,462,894
373,842	362,637	358,946	323,871	302,157	309,673
7,773,268	7,516,783	6,528,184	4,614,339	4,088,933	3,402,443
98,943	119,684	98,376	177,827	226,393	159,978
21,571,611	19,424,274	17,109,170	10,477,428	10,140,038	9,334,988
16,719,942	14,788,419	14,443,224	13,776,780	13,991,286	10,487,726
2,988,424	2,868,682	2,686,447	2,699,632	2,483,723	2,302,370
22,755,722	13,816,025	10,894,527	9,431,603	9,887,235	9,712,239
1,575,161	1,097,098	1,026,892	938,010	638,876	578,687
122,593	261,910	297,581	128,462	105,942	114,415
193,952	279,352	456,823	620,102	481,994	382,527
635,150	699,769	793,110	607,580	608,458	560,903
479,948	-	38,049	8,350	56,748	87,152
-	-	-	-	484,375	-
45,470,892	33,811,255	30,636,653	28,210,519	28,738,637	24,226,019
<u>\$ 67,042,503</u>	<u>\$ 53,235,529</u>	<u>\$ 47,745,823</u>	<u>\$ 38,687,947</u>	<u>\$ 38,878,675</u>	<u>\$ 33,561,007</u>
19.88%	21.46%	21.20%	13.86%	14.20%	16.28%
0.56%	0.68%	0.75%	0.84%	0.78%	0.92%
11.59%	14.12%	13.67%	11.93%	10.52%	10.14%
0.15%	0.22%	0.21%	0.46%	0.58%	0.48%
32.18%	36.49%	35.83%	27.08%	26.08%	27.81%
24.94%	27.78%	30.25%	35.61%	35.99%	31.25%
4.46%	5.39%	5.63%	6.98%	6.39%	6.86%
33.94%	25.95%	22.82%	24.38%	25.43%	28.94%
2.35%	2.06%	2.15%	2.42%	1.64%	1.72%
0.18%	0.49%	0.62%	0.33%	0.27%	0.34%
0.29%	0.52%	0.96%	1.60%	1.24%	1.14%
0.95%	1.31%	1.66%	1.57%	1.57%	1.67%
0.72%	0.00%	0.08%	0.02%	0.15%	0.26%
0.00%	0.00%	0.00%	0.00%	1.25%	0.00%
67.82%	63.51%	64.17%	72.92%	73.92%	72.19%
<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,			
	2014	2013 (1)	2012 (1)	2011
Instruction	\$ 20,213,672	\$ 19,104,050	\$ 17,799,800	\$ 18,167,513
Public service	275,807	270,869	281,184	228,891
Academic support	3,972,411	3,748,138	3,486,597	3,579,175
Student services	4,360,373	4,608,363	4,031,791	3,677,010
Institutional support	6,998,131	6,144,442	5,191,112	5,022,776
Operation and maintenance of plant	3,748,746	4,030,618	4,122,473	4,582,981
Scholarships and fellowships	16,571,886	15,761,613	16,955,799	17,996,557
Auxiliary enterprises	11,825,269	11,504,077	12,088,998	11,880,415
Depreciation	1,997,893	1,968,446	1,855,608	1,703,928
Total operating expenses	<u>69,964,188</u>	<u>67,140,616</u>	<u>65,813,362</u>	<u>66,839,246</u>
Interest on capital related debt	1,234,432	1,257,512	1,527,268	1,493,617
Total non-operating expenses	<u>1,234,432</u>	<u>1,257,512</u>	<u>1,527,268</u>	<u>1,493,617</u>
Total expenses	<u>\$ 71,198,620</u>	<u>\$ 68,398,128</u>	<u>\$ 67,340,630</u>	<u>\$ 68,332,863</u>
Special item	<u>-</u>	<u>1,539,061</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ (405,133)</u>	<u>\$ 3,900,639</u>	<u>\$ 4,565,841</u>	<u>\$ 290,805</u>
Instruction	28.39%	27.93%	26.43%	26.59%
Public service	0.39%	0.40%	0.42%	0.33%
Academic support	5.58%	5.48%	5.18%	5.24%
Student services	6.12%	6.74%	5.99%	5.38%
Institutional support	9.83%	8.98%	7.71%	7.35%
Operation and maintenance of plant	5.27%	5.89%	6.12%	6.71%
Scholarships and fellowships (net of discounts)	23.28%	23.04%	25.18%	26.34%
Auxiliary enterprises	16.61%	16.82%	17.95%	17.39%
Depreciation	2.81%	2.88%	2.76%	2.49%
Total operating expenses	<u>98.27%</u>	<u>98.16%</u>	<u>97.73%</u>	<u>97.81%</u>
Interest on capital related debt	1.73%	1.84%	2.27%	2.19%
Total non-operating expenses	<u>1.73%</u>	<u>1.84%</u>	<u>2.27%</u>	<u>2.19%</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,					
2010	2009	2008	2007	2006	2005
\$ 17,540,069	\$ 16,061,086	\$ 14,955,025	\$ 13,753,775	\$ 13,296,066	\$ 12,500,569
194,113	173,343	157,488	125,816	135,365	123,866
3,436,714	3,045,243	2,800,470	2,768,153	3,101,135	2,255,733
3,838,251	3,058,628	2,693,937	2,369,268	2,294,807	1,636,654
5,054,143	4,400,790	4,227,103	4,237,693	3,990,424	3,161,359
3,743,411	3,427,220	3,732,384	3,196,937	3,250,343	2,453,004
16,350,302	8,538,915	7,061,974	1,271,148	2,309,532	2,325,806
10,082,097	9,252,131	8,585,730	7,912,581	7,324,740	6,851,913
1,574,211	1,539,247	1,475,450	1,395,899	1,283,753	1,091,485
<u>61,813,311</u>	<u>49,496,603</u>	<u>45,689,561</u>	<u>37,031,270</u>	<u>36,986,165</u>	<u>32,400,389</u>
1,486,718	1,359,280	1,378,430	1,215,469	1,188,057	1,035,709
<u>1,486,718</u>	<u>1,359,280</u>	<u>1,378,430</u>	<u>1,215,469</u>	<u>1,188,057</u>	<u>1,035,709</u>
<u>\$ 63,300,029</u>	<u>\$ 50,855,883</u>	<u>\$ 47,067,991</u>	<u>\$ 38,246,739</u>	<u>\$ 38,174,222</u>	<u>\$ 33,436,098</u>
-	-	-	-	-	-
<u>\$ 8,760,781</u>	<u>\$ 2,379,646</u>	<u>\$ 675,679</u>	<u>\$ 441,208</u>	<u>\$ 704,453</u>	<u>\$ 124,909</u>
27.71%	31.58%	31.77%	35.96%	34.83%	37.39%
0.31%	0.34%	0.33%	0.33%	0.35%	0.37%
5.43%	5.99%	5.95%	7.24%	8.12%	6.75%
6.06%	6.01%	5.72%	6.19%	6.01%	4.89%
7.98%	8.65%	8.98%	11.08%	10.45%	9.45%
5.91%	6.74%	7.93%	8.36%	8.51%	7.34%
25.83%	16.79%	15.00%	3.32%	6.05%	6.96%
15.93%	18.19%	18.24%	20.69%	19.19%	20.49%
2.49%	3.03%	3.13%	3.65%	3.36%	3.26%
<u>97.65%</u>	<u>97.33%</u>	<u>97.07%</u>	<u>96.82%</u>	<u>96.89%</u>	<u>96.90%</u>
2.35%	2.67%	2.93%	3.18%	3.11%	3.10%
<u>2.35%</u>	<u>2.67%</u>	<u>2.93%</u>	<u>3.18%</u>	<u>3.11%</u>	<u>3.10%</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	Vehicle Registration Fee
	In-District	Out-of-District			
2014	\$ 432	\$ 852	\$ 11	\$ 228	\$ 15
2013	432	840	11	228	15
2012	432	840	11	216	10
2011	420	828	11	216	10
2010	384	768	11	204	10
2009	372	744	11	204	10
2008	372	732	10	204	10
2007	372	696	10	204	10
2006	360	648	10	144	10
2005	336	588	10	132	10

Table 4
Page 1 of 2

Total Cost		Increase from Prior Year		Semester Credit Hours
In-District	Out-of-District	In-District	Out-of-District	
\$ 686	\$ 1,106	0.00%	1.10%	17,399
686	1,094	2.54%	1.58%	19,659
669	1,077	1.83%	1.13%	19,463
657	1,065	7.88%	7.25%	20,481
609	993	2.01%	2.48%	20,602
597	969	1.88%	1.36%	18,256
586	956	0.00%	5.05%	16,783
586	910	14.01%	13.47%	15,663
514	802	7.53%	9.86%	14,795
478	730	2.58%	1.67%	14,013

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
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
2007	809	324	10	204
2006	773	288	10	144
2005	677	252	10	132

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>Total Cost</u>	<u>Increase from Prior Year</u>	<u>Semester Credit Hours</u>
\$ 15	\$ 1,706	0.00%	3,347
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
10	1,357	10.78%	2,738
10	1,225	13.32%	3,785
10	1,081	1.12%	4,025

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
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
2007	2,075,341,228	116,607,628	1,958,733,600
2006	1,854,903,155	114,170,514	1,740,732,641
2005	1,726,100,913	101,238,919	1,624,861,994

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
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
94.38%	2,075,341,228	0.13500	-	0.13500
93.84%	1,854,903,155	0.14050	-	0.14050
94.13%	1,726,100,913	0.14050	-	0.14050

Navarro College District

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Navarro College District	\$ 0.120	\$ 0.119	\$ 0.119	\$ 0.119
County:				
Navarro County	0.6270	0.6270	0.6270	0.6270
Cities:				
Barry	0.3851	0.3851	0.3661	0.3349
Blooming Grove	0.4821	0.4821	0.4900	0.4900
Corsicana	0.6272	0.6272	0.6272	0.6272
Dawson	0.4000	0.4000	0.4000	0.4000
Emhouse	0.2943	0.2943	0.2943	0.3072
Frost	0.5657	0.5600	0.5300	0.5000
Goodlow	0.0897	0.0897	0.0897	0.0897
Kerens	0.6817	0.6434	0.6434	0.6434
Rice	0.5351	0.4999	0.4700	0.4700
Richland	0.2330	0.2330	0.2189	0.2056
School Districts:				
Blooming Grove	1.1300	1.1300	1.1300	1.1300
Corsicana	1.2803	1.2830	1.2830	1.2830
Dawson	1.2900	1.2900	1.2900	1.2900
Frost	1.2550	1.2550	1.2550	1.2550
Kerens	1.1100	1.1100	1.1100	1.1100
Mildred	1.2980	1.2906	1.2798	1.2798
Rice	1.4200	1.4200	1.4200	1.4200

Source: Navarro County Appraisal District

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

Table 6

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 0.119	\$ 0.119	\$ 0.120	\$ 0.135	\$ 0.141	\$ 0.141
0.6270	0.5828	0.5754	0.5973	0.6243	0.6246
0.3393	0.3237	0.3237	0.3279	0.3345	0.3380
0.4859	0.4653	0.4880	0.5000	0.4940	0.4383
0.6272	0.6272	0.6272	0.6272	0.6272	0.5995
0.3783	0.3783	0.3783	0.4143	0.4516	0.4335
0.3072	0.3072	0.3332	0.3332	0.3341	0.3377
0.5000	0.5000	0.5000	0.5000	0.5000	0.4834
0.0897	0.0897	0.8970	0.1000	0.1000	0.1000
0.6434	0.6433	0.6329	0.6584	0.6107	0.5500
0.4200	0.3700	0.3100	0.3200	0.3063	0.2675
0.2056	0.2056	0.2068	0.2009	0.2056	0.2082
1.1200	1.1200	1.1231	1.4530	1.5830	1.5781
1.2830	1.2857	1.2850	1.5038	1.6746	1.5208
1.2900	1.2900	1.2900	1.3700	1.5000	1.5000
1.2321	1.2850	1.1550	1.4600	1.5650	1.5300
1.1200	1.1227	1.1000	1.3060	1.4000	1.4000
1.2498	1.2838	1.2427	1.3027	1.4220	1.4220
1.4200	1.4200	1.1809	1.4882	1.5896	1.5720

Navarro College District

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

Taxpayer	Type of Business	Taxable Assessed Value		
		2014	2013	2012
Energy Transfer Fuel LP	Electric Company	\$ 61,634,770	\$ 73,136,440	\$ 80,588,880
Lone Star Transmission	Electric Company	52,908,350	38,442,150	-
Nalco Company	Energy Services	49,772,120	-	-
Oncor Electric Delivery	Electric Utility	49,116,350	45,617,500	43,840,090
Guardian Industry - Abated	Glass Manufacturer	48,580,980	46,198,430	47,902,205
Russell Stover Candies-Abated	Candy Manufacturer	37,232,300	40,755,175	41,788,490
True Value Co. - Non-Abated	Retail Distribution	29,579,080	29,969,010	30,657,820
Union Pacific	RR Company	28,615,140	25,687,460	23,181,290
Sunoco Pipeline LP	Pipeline company	20,287,000	21,311,840	21,707,000
Burlington Northern Santa Fe	Rail Road	18,882,520	-	-
Magellan Pipeline Co, LP	Pipeline company	-	18,925,180	19,588,170
HD USA 5147	Manufacturer	-	-	39,242,590
Corsicana Techonoligies Inc.	Manufacturer	-	43,215,390	32,423,520
National Industrial Portfolio Borrower	Real Estate Investment	-	-	-
Guardian Industry	Glass Manufacturer	-	-	-
Home Depot	Retail Distribution	-	-	-
Pactiv-Foam	Foam Manufacturer	-	-	-
Kohl's Distribution	Retail Distribution	-	-	-
TXU Electric	Electric Company	-	-	-
TXI Operations LP	Manufacturer	-	-	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
SouthWestern Bell Telephone	Telephone Company	-	-	-
Swift Transportation	Transportation	-	-	-
Tru-Serv Corporation- Abated	Retail Distribution	-	-	-
Tru-Serv Corporation- Non-Abated	Retail Distribution	-	-	-
Totals		<u>\$ 396,608,610</u>	<u>\$ 383,258,575</u>	<u>\$ 380,920,055</u>
Net taxable assessed value		<u>\$ 2,917,537,473</u>	<u>\$ 2,774,259,367</u>	<u>\$ 2,682,081,137</u>

Taxable Assessed Value						
2011	2010	2009	2008	2007	2006	2005
\$ 79,919,230	\$ 73,045,150	\$ -	\$ 29,956,070	\$ 20,924,160	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
42,244,260	43,925,930	-	48,008,780	-	-	42,837,170
47,719,270	22,251,050	35,546,950	36,583,990	-	18,249,660	19,030,070
43,777,148	46,518,140	45,322,760	47,028,340	26,029,795	27,311,080	25,355,140
32,844,610	32,697,650	36,338,740	25,173,180	24,754,330	-	-
21,388,410	-	-	-	-	13,088,980	13,393,540
-	-	-	-	16,331,100	-	-
15,374,710	-	-	-	-	-	-
20,108,295	21,925,300	19,779,490	19,760,200	16,695,070	-	-
33,662,336	46,870,610	-	-	-	-	-
24,295,930	25,664,420	26,541,670	-	14,288,340	-	-
-	36,936,320	18,241,000	19,051,900	-	-	-
-	28,643,210	16,285,710	31,867,020	35,066,100	30,321,450	27,881,140
-	-	36,383,870	61,084,750	37,313,868	-	-
-	-	14,423,940	-	-	14,431,380	14,076,830
-	-	12,848,920	19,001,110	-	11,238,160	-
-	-	-	-	46,825,980	45,837,720	-
-	-	-	-	13,809,390	-	-
-	-	-	-	-	7,491,480	6,655,720
-	-	-	-	-	11,558,680	-
-	-	-	-	-	-	13,458,916
-	-	-	-	-	-	10,565,510
-	-	-	-	-	22,615,740	22,179,070
\$ 361,334,199	\$ 378,477,780	\$ 261,713,050	\$ 337,515,340	\$ 252,038,133	\$ 202,144,330	\$ 195,433,106
\$ 2,615,172,084	\$ 2,532,522,103	\$ 2,426,416,700	\$ 2,218,359,153	\$ 1,958,733,600	\$ 1,740,732,641	\$ 1,624,861,994

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Continued)

Taxpayer	Type of Business			
		2014	2013	2012
Energy Transfer Fuel LP	Electric Company	2.11%	2.64%	3.00%
Lone Star Transmission	Electric Company	1.81%	1.39%	-
Nalco Company	Energy Services	1.71%	-	-
Oncor Electric Delivery	Electric Utility	1.68%	1.64%	1.63%
Guardian Industry - Abated	Glass Manufacturer	1.67%	1.67%	1.79%
Russell Stover Candies-Abated	Candy Manufacturer	1.28%	1.47%	1.56%
True Value Co. - Non-Abated	Retail Distribution	1.01%	1.08%	1.14%
Union Pacific	RR Company	0.98%	0.93%	0.86%
Sunoco Pipeline LP	Pipeline company	0.70%	0.77%	0.81%
Burlington Northern Santa Fe	Rail Road	0.65%	-	-
Magellan Pipeline Co, LP	Pipeline company	-	0.68%	0.73%
HD USA 5147	Manufacturer	-	-	1.46%
Corsicana Techonolgies Inc.	Manufacturer	-	1.56%	1.21%
National Industrial Portfolio Borrower	Real Estate Investment	-	-	-
Guardian Industry	Glass Manufacturer	-	-	-
Home Depot	Retail Distribution	-	-	-
Pactiv-Foam	Foam Manufacturer	-	-	-
Kohl's Distribution	Retail Distribution	-	-	-
TXU Electric	Electric Company	-	-	-
TXI Operations LP	Manufacturer	-	-	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
SouthWestern Bell Telephone	Telephone Company	-	-	-
Swift Transportation	Transportation	-	-	-
Tru-Serv Corporation- Abated	Retail Distribution	-	-	-
Williamhouse of Texas, LLC	Stationary Distribution	-	-	-
Totals		13.59%	13.81%	14.20%

Source: Navarro County Appraisal District

Taxable Assessed Value						
2011	2010	2009	2008	2007	2006	2005
3.06%	2.88%	-	1.35%	1.07%	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1.62%	1.73%	-	2.16%	-	-	2.64%
1.82%	0.88%	1.46%	1.65%	-	1.05%	1.17%
1.67%	1.84%	1.87%	2.12%	1.33%	1.57%	1.56%
1.26%	1.29%	1.50%	1.13%	1.26%	-	-
0.82%	-	-	-	-	0.75%	0.82%
-	-	-	-	0.83%	-	-
0.59%	-	-	-	-	-	-
0.77%	0.87%	0.82%	0.89%	0.85%	-	-
1.29%	1.85%	-	-	-	-	-
0.93%	1.01%	1.09%	-	0.73%	-	-
-	1.46%	0.75%	0.86%	-	-	-
-	1.13%	0.67%	1.44%	1.79%	1.74%	1.72%
-	-	1.50%	2.75%	1.90%	-	-
-	-	0.59%	-	-	0.83%	0.87%
-	-	0.53%	0.86%	-	0.65%	-
-	-	-	-	2.39%	2.63%	-
-	-	-	-	0.71%	-	-
-	-	-	-	-	0.43%	0.41%
-	-	-	-	-	0.66%	-
-	-	-	-	-	-	0.83%
-	-	-	-	-	-	0.65%
-	-	-	-	-	-	-
13.82%	14.94%	10.79%	15.21%	12.87%	11.61%	12.03%

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>
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
2007	2,644,308	2,237	2,646,545
2006	2,445,735	(11,085)	2,434,650
2005	2,282,942	(2,904)	2,280,038

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
\$ 3,241,206	97.62%	\$ -	\$ 3,241,206	97.62%
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%	48,903	2,936,801	98.08%
2,770,640	96.29%	40,689	2,811,329	97.70%
2,568,362	96.53%	45,884	2,614,246	98.26%
2,571,228	97.15%	41,863	2,613,091	98.74%
2,347,645	96.43%	46,510	2,394,155	98.34%
2,191,308	96.11%	59,891	2,259,656	99.11%

Navarro College District

Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

	August 31,			
	2014	2013 (2)	2012 (2)	2011 (1)
General Bonded Debt				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Other Debt				
Revenue bonds	27,667,376	30,043,692	32,420,009	26,860,000
Notes payable	-	-	-	-
Loans payable	1,275,000	1,275,000	1,500,000	1,500,000
Capital lease obligations	3,496,116	3,651,116	3,801,116	3,941,116
Total other debt	32,438,492	34,969,808	37,721,125	32,301,116
Total outstanding debt	\$ 32,438,492	\$ 34,969,808	\$ 37,721,125	\$ 32,301,116
Total Outstanding Debt Ratios				
Per capita	\$ 675	\$ 709	\$ 764	\$ 677
Per student	1,905	1,943	1,997	1,711
As a percentage of taxable assessed value	1.17%	1.23%	1.37%	1.24%
As a percentage of personal income	1.86%	2.03%	2.31%	2.17%

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,					
2010 (1)	2009	2008	2007	2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27,925,000	29,033,705	25,882,413	26,781,121	23,740,000	20,490,000
-	37,302	97,994	154,547	254,122	448,093
750,000	-	-	-	-	-
4,076,116	4,201,116	4,321,116	4,436,116	4,696,384	4,857,779
32,751,116	33,272,123	30,301,523	31,371,784	28,690,506	25,795,872
<u>\$ 32,751,116</u>	<u>\$ 33,272,123</u>	<u>\$ 30,301,523</u>	<u>\$ 31,371,784</u>	<u>\$ 28,690,506</u>	<u>\$ 25,795,872</u>
\$ 662	\$ 673	\$ 615	\$ 631	\$ 591	\$ 532
1,892	2,313	2,391	2,630	2,560	2,413
1.29%	1.37%	1.37%	1.59%	1.65%	1.59%
2.40%	2.56%	2.40%	2.65%	2.59%	2.43%

Navarro College District

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

	For the Year Ended August 31,			
	2014	2013	2012	2011
Taxable Assessed Value	<u>\$ 2,765,697,752</u>	<u>\$ 2,774,259,367</u>	<u>\$ 2,682,081,137</u>	<u>\$ 2,615,172,084</u>
General Obligation Bonds				
Statutory tax levy limit for debt service	\$ 13,828,489	\$ 13,871,297	\$ 13,410,406	\$ 13,075,860
Current year debt service requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 13,828,489</u>	<u>\$ 13,871,297</u>	<u>\$ 13,410,406</u>	<u>\$ 13,075,860</u>
Net current requirements as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%

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

Table 10

For the Year Ended August 31,					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>\$ 2,532,522,103</u>	<u>\$ 2,426,416,700</u>	<u>\$ 2,218,359,153</u>	<u>\$ 1,958,733,600</u>	<u>\$ 1,740,732,641</u>	<u>\$ 1,624,861,994</u>
\$ 12,661,611	\$ 12,132,084	\$ 11,091,796	\$ 9,799,668	\$ 8,703,663	\$ 8,124,310
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 12,661,611</u>	<u>\$ 12,132,084</u>	<u>\$ 11,091,796</u>	<u>\$ 9,799,668</u>	<u>\$ 8,703,663</u>	<u>\$ 8,124,310</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
2014	\$ 346,658	\$ 3,753,843	\$ 5,344,521	\$ 1,411,318	\$ 10,207,760	\$ 9,343,962
2013	348,578	3,816,433	5,624,975	1,477,931	10,545,568	8,923,321
2012	364,230	4,067,828	6,016,339	1,497,785	10,946,950	9,656,662
2011	374,798	3,950,605	5,863,890	1,535,992	10,844,701	9,476,634
2010	349,388	3,667,746	5,125,658	1,396,781	9,738,995	7,875,098
2009	316,725	3,080,219	4,129,212	1,151,811	8,977,605	6,993,133
2008	263,580	2,775,032	3,456,736	939,215	7,707,995	6,569,444
2007	263,768	1,982,253	2,902,250	820,493	7,138,751	5,965,548
2006	237,668	1,638,960	2,501,509	764,721	6,892,938	5,593,455
2005	221,460	1,586,746	2,358,743	788,544	6,562,232	5,003,324

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
\$ 11,720,138	\$ 129,125	\$ 11,849,263	\$ 2,385,000	\$ 1,019,449	\$ 3,404,449	3.48
12,890,164	160,404	13,050,568	2,310,000	1,088,537	3,398,537	3.84
13,236,470	146,902	13,383,372	1,105,000	1,408,472	2,513,472	5.32
13,093,352	153,555	13,246,907	1,065,000	1,281,713	2,346,713	5.64
12,403,470	119,094	12,522,564	1,055,000	1,326,249	2,381,249	5.26
10,662,439	205,251	10,867,690	870,000	1,178,089	2,048,089	5.31
8,573,114	322,120	8,895,234	845,000	1,205,495	2,050,495	4.34
7,141,967	364,969	7,506,936	670,000	1,107,889	1,777,889	4.22
6,442,341	263,299	6,705,640	300,000	952,620	1,252,620	5.35
6,514,401	132,811	6,647,212	225,000	957,120	1,182,120	5.62



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

Calendar Year	Navarro County Population	Navarro County Personal Income	Navarro County Personal Income Per Capita	Navarro County Unemployment Rate
2013	48,038	\$ 1,740,921,000	\$ 36,338	5.2%
2012	49,979	1,678,534,727	34,754	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%
2006	49,440	1,196,242,000	24,522	5.7%
2005	48,525	1,160,593,000	24,099	5.4%
2004	48,215	1,089,791,000	22,851	5.7%

Source: Texas Workforce Commission

Note: The 2014 amounts are not yet available.

Navarro College District

Principal Employers
Last Nine Fiscal Years
(Unaudited)

Employer	2014		2013		2012	
	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)	1,106	5.21%	1,134	5.50%	1,107	5.43%
Russell Stover Candies (seasonal)	850	4.00%	795	3.85%	680	3.34%
Corsicana ISD	811	3.82%	800	3.88%	811	3.98%
Navarro Regional Hospital	350	1.65%	385	1.87%	354	1.74%
Guardian Industries, Corp.	318	1.50%	360	1.75%	318	1.56%
Kohl's Distribution Center	315	1.48%	333	1.61%	200	0.98%
Navarro County	284	1.34%	300	1.45%	284	1.39%
City of Corsicana (includes part time)	284	1.34%	277	1.34%	284	1.39%
Corsicana Bedding	257	1.21%	449	2.18%	257	1.26%
Oil City Iron Works	255	1.20%	212	1.03%	172	0.84%
Tru-Serve Distribution Center	180	0.85%	165	0.80%	149	0.73%
Collin Street Bakery (seasonal)	150	0.71%	379	1.84%	150	0.74%
Heritage Oaks/Heritage Oaks West	72	0.34%	245	1.19%	236	1.16%
Kohl's Call Center (Closed Corsicana facility)	-	0.00%	-	0.00%	-	0.00%
Lance (Closed the Corsicana facility)	-	0.00%	-	0.00%	-	0.00%
Home Depot Distribution Center (Closed Corsicana Facility)	-	0.00%	-	0.00%	-	0.00%
Trinity Mother Francis Medical Center	-	0.00%	-	0.00%	-	0.00%
Total	5,232	24.63%	5,834	28.28%	5,002	24.54%

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

Note: Similar information for 2005 and 2004 was not available.

(Earliest information available is 2006.)

Table 13

2011		2010		2009		2008		2007	
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
1,064	5.33%	982	4.95%	950	4.75%	886	4.52%	851	4.31%
680	3.41%	680	3.43%	825	4.12%	825	4.20%	825	4.18%
811	4.07%	811	4.09%	802	4.01%	802	4.09%	802	4.06%
354	1.77%	354	1.78%	350	1.75%	350	1.78%	350	1.77%
318	1.59%	318	1.60%	390	1.95%	390	1.99%	390	1.98%
200	1.00%	200	1.01%	200	1.00%	200	1.02%	200	1.01%
284	1.42%	284	1.43%	284	1.42%	284	1.45%	284	1.44%
284	1.42%	284	1.43%	336	1.68%	304	1.55%	304	1.54%
257	1.29%	257	1.30%	190	0.95%	190	0.97%	190	0.96%
172	0.86%	172	0.87%	200	1.00%	200	1.02%	200	1.01%
149	0.75%	149	0.75%	152	0.76%	152	0.77%	152	0.77%
150	0.75%	150	0.76%	766	3.83%	766	3.90%	766	3.88%
236	1.18%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
216	1.08%	216	1.09%	250	1.25%	250	1.27%	250	1.27%
148	0.74%	148	0.75%	170	0.85%	170	0.87%	170	0.86%
145	0.73%	145	0.73%	250	1.25%	155	0.79%	155	0.79%
-	0.00%	156	0.79%	156	0.78%	156	0.80%	156	0.79%
5,468	27.41%	5,306	26.75%	6,271	31.33%	6,080	30.99%	6,045	30.62%

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
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
2007	10,587,066	11,866	892
2006	10,587,066	11,207	945
2005	10,121,395	10,691	947

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
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
2,457,624	895,344	3,352,968	3.16
2,450,256	713,896	3,164,152	3.35
2,350,836	673,660	3,024,496	3.35

Navarro College District

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

	2014	2013	2012	2011
Faculty				
Full-Time	127	121	122	122
Part-Time	415	446	540	355
Total	542	567	662	477
Full-Time	23.4%	21.3%	18.4%	25.6%
Part-Time	76.6%	78.7%	81.6%	74.4%
Total	100.0%	100.0%	100.0%	100.0%
Average Annual Faculty Salary	\$ 55,602	\$ 53,781	\$ 52,681	\$ 52,138
Staff and Administrators				
Full-Time	244	252	231	230
Part-Time	79	71	94	95
Total	323	323	325	325
Full-Time	75.5%	78.0%	71.1%	70.8%
Part-Time	24.5%	22.0%	28.9%	29.2%
Total	100.0%	100.0%	100.0%	100.0%

Table 15

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
123	113	112	112	105	100
364	355	361	326	312	309
<u>487</u>	<u>468</u>	<u>473</u>	<u>438</u>	<u>417</u>	<u>409</u>
25.3%	24.1%	23.7%	25.6%	25.2%	24.4%
74.7%	75.9%	76.3%	74.4%	74.8%	75.6%
<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>\$ 50,232</u>	<u>\$ 51,678</u>	<u>\$ 47,585</u>	<u>\$ 49,393</u>	<u>\$ 45,427</u>	<u>\$ 42,623</u>
214	208	196	187	176	164
100	31	132	110	42	31
<u>314</u>	<u>239</u>	<u>328</u>	<u>297</u>	<u>218</u>	<u>195</u>
68.2%	87.0%	59.8%	63.0%	80.7%	84.1%
31.8%	13.0%	40.2%	37.0%	19.3%	15.9%
<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 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Student Classification								
00-30 hours	7,353	71.69%	7,060	69.91%	7,271	69.69%	7,311	71.92%
31-60 hours	1,871	18.24%	1,958	19.39%	2,022	19.38%	1,841	18.11%
> 60 hours	1,033	10.07%	1,080	10.70%	1,140	10.93%	1,014	9.97%
Total	10,257	100.00%	10,098	100.00%	10,433	100.00%	10,166	100.00%
Semester Hour Load								
Less than 3	251	2.45%	201	1.99%	171	1.64%	159	1.56%
3-5 semester hours	1,717	16.74%	1,592	15.77%	1,646	15.78%	1,820	17.90%
6-8 semester hours	2,236	21.80%	2,173	21.52%	2,176	20.86%	1,998	19.65%
9-11 semester hours	1,604	15.64%	1,422	14.08%	1,514	14.51%	1,402	13.79%
12-14 semester hours	2,739	26.70%	2,866	28.38%	3,118	29.89%	2,987	29.38%
15-17 semester hours	1,411	13.76%	1,480	14.66%	1,460	13.99%	1,409	13.86%
18 & over	299	2.92%	364	3.60%	348	3.34%	391	3.85%
Total	10,257	100.00%	10,098	100.00%	10,433	100.00%	10,166	100.00%
Tuition Status								
Texas Resident (in-District)	1,927	18.79%	1,922	19.03%	1,996	19.13%	2,028	19.95%
Texas Resident (out-of-District)	8,052	78.50%	7,883	78.06%	8,102	77.66%	7,830	77.02%
Non-Resident Tuition	278	2.71%	293	2.90%	335	3.21%	308	3.03%
Total	10,257	100.00%	10,098	100.00%	10,433	100.00%	10,166	100.00%

Table 16

Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
6,701	72.84%	6,191	74.34%	5,410	71.56%	6,593	89.02%	5,204	80.67%	4,508	74.90%
1,615	17.55%	1,403	16.85%	1,461	19.33%	406	5.48%	764	11.84%	1,011	16.80%
884	9.61%	734	8.81%	689	9.11%	407	5.50%	483	7.49%	500	8.31%
<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
94	1.02%	673	8.08%	385	5.09%	512	6.91%	27	0.42%	28	0.47%
1,769	19.23%	1,458	17.51%	1,494	19.76%	1,451	19.59%	1,214	18.82%	1,158	19.24%
1,856	20.17%	1,530	18.37%	1,414	18.70%	1,267	17.11%	1,131	17.53%	1,009	16.76%
1,198	13.02%	1,014	12.18%	885	11.71%	842	11.37%	737	11.42%	551	9.15%
2,532	27.52%	2,034	24.42%	1,948	25.77%	2,001	27.02%	2,076	32.18%	1,901	31.58%
1,361	14.79%	1,296	15.56%	1,148	15.19%	1,070	14.45%	980	15.19%	1,055	17.53%
390	4.24%	323	3.88%	286	3.78%	263	3.55%	286	4.43%	317	5.27%
<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
1,816	19.74%	1,777	21.34%	1,645	21.76%	1,729	23.35%	1,348	20.90%	1,273	21.15%
7,131	77.51%	6,304	75.70%	5,669	74.99%	5,392	72.81%	4,791	74.27%	4,424	73.50%
253	2.75%	247	2.97%	246	3.25%	285	3.85%	312	4.84%	322	5.35%
<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>

Navarro College District

Student Profile
Last Ten Fiscal Years
(Unaudited)

	Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender								
Female	6,103	59.50%	6,087	60.28%	6,379	61.14%	6,218	61.16%
Male	4,154	40.50%	4,011	39.72%	4,054	38.86%	3,948	38.84%
Total	<u>10,257</u>	<u>100.00%</u>	<u>10,098</u>	<u>100.00%</u>	<u>10,433</u>	<u>100.00%</u>	<u>10,166</u>	<u>100.00%</u>
Ethnic Origin								
White	5,672	55.30%	5,759	57.03%	6,048	57.97%	6,151	60.51%
Hispanic	1,929	18.81%	1,774	17.57%	1,639	15.71%	1,492	14.68%
African American	2,333	22.75%	2,200	21.79%	2,375	22.76%	2,171	21.36%
Asian	70	0.68%	54	0.53%	44	0.42%	26	0.26%
Foreign	129	1.26%	159	1.57%	174	1.67%	164	1.61%
Native American	47	0.46%	61	0.60%	53	0.51%	71	0.70%
Other	77	0.75%	91	0.90%	100	0.96%	91	0.90%
Total	<u>10,257</u>	<u>100.00%</u>	<u>10,098</u>	<u>100.00%</u>	<u>10,433</u>	<u>100.00%</u>	<u>10,166</u>	<u>100.00%</u>
Age								
Under 18	2,428	23.67%	2,206	21.85%	1,891	18.13%	1,848	18.18%
18 - 21	4,052	39.50%	3,959	39.21%	4,204	40.30%	4,131	40.64%
22 - 24	923	9.00%	972	9.63%	1,050	10.06%	990	9.74%
25 - 35	1,657	16.15%	1,704	16.87%	1,924	18.44%	1,874	18.43%
36 - 50	933	9.10%	1,014	10.04%	1,112	10.66%	1,065	10.48%
51 & over	264	2.57%	243	2.41%	252	2.42%	258	2.54%
Total	<u>10,257</u>	<u>100.00%</u>	<u>10,098</u>	<u>100.00%</u>	<u>10,433</u>	<u>100.00%</u>	<u>10,166</u>	<u>100.00%</u>
Average Age	23		24		24		24	

Table 17

Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
5,643	61.34%	5,147	61.80%	4,733	62.61%	4,583	61.88%	4,006	62.10%	3,776	62.73%
3,557	38.66%	3,181	38.20%	2,827	37.39%	2,823	38.12%	2,445	37.90%	2,243	37.27%
<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
5,636	61.26%	5,303	63.68%	4,842	64.05%	4,802	64.84%	4,170	64.64%	3,906	64.89%
1,363	14.82%	1,183	14.21%	1,451	19.19%	1,332	17.99%	701	10.87%	612	10.17%
1,903	20.68%	1,567	18.82%	995	13.16%	956	12.91%	1,295	20.07%	1,195	19.85%
87	0.95%	67	0.80%	56	0.74%	71	0.96%	48	0.74%	42	0.70%
153	1.66%	156	1.87%	160	2.12%	183	2.47%	204	3.16%	239	3.97%
52	0.57%	52	0.62%	53	0.70%	50	0.68%	33	0.51%	25	0.42%
6	0.07%	-	0.00%	3	0.04%	12	0.16%	-	0.00%	-	0.00%
<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
1,917	20.84%	2,138	25.67%	1,750	23.15%	1,854	25.03%	1,029	15.95%	1,035	17.20%
3,723	40.47%	3,313	39.78%	3,079	40.73%	2,984	40.29%	2,939	45.56%	2,656	44.13%
969	10.53%	756	9.08%	654	8.65%	651	8.79%	668	10.35%	618	10.27%
1,534	16.67%	1,211	14.54%	1,177	15.57%	1,110	14.99%	1,091	16.91%	1,019	16.93%
898	9.76%	780	9.37%	762	10.08%	702	9.48%	617	9.56%	577	9.59%
159	1.73%	130	1.56%	138	1.83%	105	1.42%	107	1.66%	114	1.89%
<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>	<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>
23		23		23		23		24		24	

Navarro College District

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

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	<u>1,333</u>	<u>100</u>	<u>61</u>	<u>1,494</u>	<u>100.00%</u>

Source: Texas Higher Education Coordinating Board

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

Table 18
Page 1 of 2

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>

Navarro College District

**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.

Table 18
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2008 - 2009 Graduate as of Fall 2009					2007 - 2008 Graduate as of Fall 2008				
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		
10	1	1	12	0.87%	7	2	-	9	0.67%
8	1	-	9	0.65%	9	1	1	11	0.82%
12	3	2	17	1.23%	16	1	1	18	1.35%
5	-	2	7	0.51%	3	-	2	5	0.37%
81	2	6	89	6.45%	77	3	5	85	6.36%
67	2	5	74	5.36%	57	-	3	60	4.49%
2	-	2	4	0.29%	1	-	-	1	0.07%
-	-	-	-	0.00%	-	-	-	-	0.00%
63	2	10	75	5.43%	66	4	9	79	5.91%
-	-	-	-	0.00%	-	-	-	-	0.00%
125	4	6	135	9.78%	125	-	8	133	9.95%
257	5	11	273	19.78%	270	5	8	283	21.17%
7	2	1	10	0.72%	4	1	1	6	0.45%
6	-	-	6	0.43%	2	-	-	2	0.15%
-	-	-	-	0.00%	3	-	-	3	0.22%
4	1	-	5	0.36%	7	-	1	8	0.60%
41	2	2	45	3.26%	50	-	3	53	3.96%
68	-	5	73	5.29%	65	-	2	67	5.01%
13	4	1	18	1.30%	20	4	1	25	1.87%
1	-	1	2	0.14%	-	-	1	1	0.07%
189	7	7	203	14.71%	149	9	7	165	12.34%
57	-	3	60	4.35%	56	1	3	60	4.49%
17	1	2	20	1.45%	11	-	2	13	0.97%
-	-	-	-	0.00%	1	-	-	1	0.07%
4	-	-	4	0.29%	6	-	1	7	0.52%
41	1	2	44	3.19%	42	1	3	46	3.44%
1	-	-	1	0.07%	-	-	-	-	0.00%
6	-	1	7	0.51%	8	-	1	9	0.67%
1	-	-	1	0.07%	1	-	-	1	0.07%
1	-	-	1	0.07%	-	-	-	-	0.00%
135	-	9	144	10.43%	174	2	6	182	13.61%
26	4	3	33	2.39%	-	-	-	-	0.00%
6	1	1	8	0.58%	4	-	-	4	0.30%
1,254	43	83	1,380	100.00%	1,234	34	69	1,337	100.00%

Navarro College District

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

	2014	2013	2012	2011
Academic buildings	22	15	14	14
Square footage (in thousands)	355,002	321,117	300,786	300,786
Libraries	3	3	3	3
Square footage (in thousands)	29,540	29,540	29,540	29,540
Number of Volumes (in thousands)	60,894	60,078	59,012	61,226
Administrative and support buildings	5	3	3	3
Square footage (in thousands)	104,287	95,819	95,819	95,819
Dormitories/Apartments	24	24	24	23
Square footage (in thousands)	169,304	169,304	169,304	156,254
Number of Beds	860	883	883	819
Dining Facilities	2	1	1	1
Square footage (in thousands)	25,100	22,100	22,100	22,100
Average daily customers	1,450	1,108	1,008	1,037
Athletic Facilities	7	7	5	5
Square footage (in thousands)	81,708	81,708	66,416	66,416
Gymnasiums/Weight Room	2	2	2	2
Tennis Court	-	-	-	-
Physical Plant Facilities	3	2	1	1
Square footage (in thousands)	23,023	16,030	9,492	9,492
Transportation	48	43	45	40
Cars	11	12	14	12
Light Trucks/Vans	33	27	27	24
Buses	4	4	4	4

Table 19

2010	2009	2008	2007	2006	2005
12	12	12	10	10	10
260,737	260,737	260,737	228,522	228,522	209,446
3	3	3	1	1	1
29,540	29,998	29,998	28,000	28,000	34,920
62,337	61,208	53,669	53,055	65,000	64,000
2	2	2	2	2	1
90,897	90,897	90,897	90,897	90,897	55,977
23	23	22	22	21	20
156,254	156,254	150,362	150,362	145,422	139,602
819	850	818	816	815	783
1	1	1	1	1	1
22,100	22,100	22,100	22,100	22,100	19,076
973	951	904	861	861	827
5	5	5	5	5	5
66,416	66,416	66,416	66,416	66,416	66,416
2	2	2	2	2	2
-	-	0	3	3	3
1	1	1	1	1	1
9,492	9,492	9,492	9,492	9,492	9,492
34	33	35	34	34	34
7	7	7	4	4	5
23	23	25	27	27	26
4	3	3	3	3	3



**OVERALL COMPLIANCE, INTERNAL CONTROL, AND
FEDERAL AND STATE AWARDS SECTION**



**REPORT OF INDEPENDENT AUDITORS 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, 2014, 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 11, 2014. 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*.

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.

To the Board of Trustees
Navarro College District

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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
December 11, 2014

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND TEXAS SINGLE AUDIT CIRCULAR (UNIFORM GRANT MANAGEMENT STANDARDS)

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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts and grants applicable to its federal and state 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; the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State of Texas Single Audit Circular (Uniform Grant Management Standards)*. Those standards, OMB Circular A-133, 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.

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, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular (Uniform Grant Management Standards) and which are described in the accompanying schedule of findings and questioned costs as items #2014-001, #2014-002, and #2014-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as #2014-001, #2014-002, #2014-003, and #2014-004 to be significant deficiencies.

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.

To the Board of Trustees
Navarro College District

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133 and State of Texas Single Audit Circular (Uniform Grant Management Standards). Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

December 11, 2014

NAVARRO COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2014

I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

○ Material weakness(es) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	no
○ Significant control deficiency(ies) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	none reported

Noncompliance material to financial statements noted?

	_____	yes	_____	<input checked="" type="checkbox"/>	no
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Federal and State Awards

Internal control over major programs:

○ Material weakness(es) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	no
○ Significant control deficiency(ies) identified?	_____	yes	_____	<input checked="" type="checkbox"/>	none reported

#2014-001, #2014-002,
#2014-003 and #2014-004

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 section 510(a) 2-7 of Circular A-133 and the Uniform Grant Management Standards?

	_____	yes	_____	<input checked="" type="checkbox"/>	no
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Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
84.379	Teacher Education Assistance for College and Higher Education Grants
84.042A	TRIO - Student Support Services

Identification of major state programs:

<u>Name of State Program</u>
Texas Grant Program
Skills Development Fund
Nursing Shortage Grant Program Over 70

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

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

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

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

NAVARRO COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

II - Financial Statement Findings

None noted.

III - Federal Award Findings

Finding #2014-001 Compliance and Internal Control Over Compliance – Return of Title IV Funds

Student Financial Aid Cluster (84.007, 84.033, 84.063, 84.268, 84.379)

Criteria: 34 CFR 668.22 – *Treatment of Title IV funds when a student withdraws* requires Title IV funds to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

Condition: For 6 of 40 students tested, the return of Title IV funds occurred after 45 days.

Questioned Costs: None

Effect: The District is not making the return of Title IV funds in a timely manner.

Cause: The District does not have a system in place to track number of days remaining to return funds.

Recommendation: The District should design and implement processes and procedures to track and monitor the deadlines.

Finding #2014-002 Compliance and Internal Control Over Compliance – Eligibility

TRIO – Student Support Services (84.042A)

Criteria: 34 CFR 646.3 – *Who is Eligible to Participate in a Student Support Services Project?* states that a student is eligible to participate in a Student Support Services project if the student meets the following requirements: (a) is a citizen or national of the United States or meets the residency requirements for Federal student financial assistance, (b) is enrolled at the grantee institution or accepted for enrollment in the next academic term at that institution, (c) has a need for academic support, as determined by the grantee, in order to pursue successfully a postsecondary educational program, (d) is a low-income individual, a first generation college student, or an individual with disabilities.

Condition: For 18 of 25 students tested, evidence that the District reviewed and approved the student's application was not documented. In addition, for 3 of 25 students tested, evidence that the District determined the student's need for academic support was not documented.

Questioned Costs: None

Effect: The District is allowing students to participate in the Student Support Service project without an approved application on file and without documenting their academic needs.

Cause: The process in place to ensure all documentation was retained prior to services being provided was not properly designed.

Recommendation: Design processes and procedures to adequately document the eligibility determination of all students participating in a Student Support Services project.

NAVARRO COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

III - Federal Award Findings (continued)

Finding #2014-003 Internal Control Over Compliance – Grant Aid

TRIO – Student Support Services (84.042A)

Criteria: 34 CFR 646.30 – *What are allowable costs?* states that allowable costs include grant aid to eligible students who are in their first two years of postsecondary education and who are receiving Federal Pell Grants; or have completed their first two years of postsecondary education and who are receiving Federal Pell Grants if the District demonstrates that (1) these students are at high risk of dropping out; and (2) it will first meet the needs of all eligible first- and second-year students for services.

Condition: 11 of 35 students awarded aid had applications that were undated or were received after the deadline.

Questioned Costs: None

Effect: Students were awarded aid despite having submitted an incomplete application or submitting an application after the deadline.

Cause: According to the Director, the deadline was extended but we were unable to view documentation supporting the deadline extension. In addition, the process in place to ensure all applications received were dated was not properly designed..

Recommendation: The District should design and implement processes and procedures to adequately document that grant aid applications are dated and received by the deadline.

IV - State Award Findings

Finding #2014-004 Compliance and Internal Control Over Compliance – Eligibility

TEXAS Grant

Criteria: Texas Education Code, §56.301 states that eligibility requirements exist for this grant for both the initial and renewal awards. Eligibility for this program is determined by the financial aid office of the District.

Condition: For 2 of 40 students tested, evidence of review and approval was not present on the student's application.

Questioned Costs: None

Effect: Students were awarded financial aid despite having submitted a grant application that was not stamped approved by the District's financial aid office.

Cause: The approval is an electronic stamp on a PDF file of the application. These grant applications not being stamped as approved was an oversight.

Recommendation: The District should design and implement processes and procedures to ensure that all grant applications are stamped approved by the financial aid office prior to marking the student as eligible.

NAVARRO COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

V - Status of Prior Year Findings

None noted.

VI - Corrective Action Plan

Finding #2014-001 Student Financial Aid Cluster – Return of Title IV Funds

Description: Drawdowns of Title IV funds will be completed on at least a monthly basis by personnel in the Business Office. This procedure will ensure that funds are requested and/or returned in a timely manner not to exceed 30 days from transmittal or return.

Responsible Party: Aaron York Langston, Comptroller

Estimated Completion Date: October 31, 2014

Finding #2014-002 TRIO – Student Support Services – Eligibility

Description: The TRIO SSS Eligibility Summary form was updated and will be used effective immediately. All previously unused versions of this form will be destroyed. The form includes the Project Director's signature certifying the student's eligibility for and admittance to the TRIO SSS Program. The TRIO SSS Eligibility Summary form is used to ensure program eligibility for all new applicants. Students must demonstrate an academic need (as determined by the Navarro College TRIO SSS program) in order to meet eligibility requirements. The Project Director will use this form to designate the student's academic need for services.

Responsible Party: Kraig Curry

Estimated Completion Date: November 1, 2014

Finding #2014-003 TRIO – Student Support Services – Grant Aid

Description: The initial application deadline was extended in order to allow an acceptable number of students to complete the application process. In the future, a firm application deadline will be established and adhered to. While an application is not a requirement of the grant aid disbursement process, Navarro College TRIO SSS uses the application as part of an extensive, competitive selection process.

Responsible Party: Kraig Curry

Estimated Completion Date: January 5, 2015

NAVARRO COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

VI - Corrective Action Plan (continued)

Finding #2014-004 TEXAS Grant – Eligibility

Description: TEXAS Grant applications were not clearly marked as approved in Imaging System but were reviewed and awarded appropriately meeting the program guidelines. The Grant Program is no longer accepting new applicants at 2 year institutions so no additional corrective actions will be required.

Responsible Party: Director and Assistant Directors

Estimated Completion Date: Previous applications have been reviewed and clearly marked if approval stamps were missing. No further applications are being requested so no further implementation will be required.