

NAVARRO COLLEGE
Corsicana, Texas

Comprehensive Annual Financial Report

For the Years Ended August 31, 2005 and 2004

Navarro College Controller

NAVARRO COLLEGE
Comprehensive Annual Financial Report
For the Years Ended August 31, 2005 and 2004

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For the Years Ended August 31, 2005 and 2004

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3200 West 7th Avenue
Corsicana, Texas 75110
(903) 874-6501
FAX: (903) 874- 4636

November 1, 2005

Honorable Chairman, Board of Trustees, and President
Navarro College
Corsicana, TX 75110

Dear Board Members and President:

The following comprehensive annual financial report of Navarro College for the fiscal year ended August 31, 2005 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with Navarro College. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of Navarro College. All disclosures necessary to enable the reader to gain an understanding of Navarro College's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section, which is unaudited, includes this transmittal letter, a copy of the Certificate of Achievement, Navarro College's organizational chart, and a list of Navarro College's principal elected and appointed officials. The financial section includes the basic financial statements, the report of the independent public accountants on the financial statements, and the schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Navarro College is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act amendments of 1996, U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular. Information related to this single audit, including the schedule of expenditures of federal awards, schedule of expenditures of state awards, and auditors' reports of the internal control structure and compliance with applicable laws and regulations, is included in the single audit section of this report.

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

i

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

GOVERNMENTAL STRUCTURE

Navarro College was established as a public community college in an election held in Navarro County, Texas on July 16, 1946. Navarro College operates as a community college under the Constitution of the State of Texas and the Texas Education Code. Navarro College is governed by an elected seven member Board of Trustees (hereinafter called the "Board"). At each election (the first Saturday in May in odd numbered years) two Trustees are elected, one at large and one for a single place, to serve six year terms. Every third election, three Trustees are elected with one at large. The Board holds regularly scheduled meetings on the third Thursday of each month unless otherwise announced. Board meetings are held in the Board Room located in the recently renovated Waller Classroom Building (formerly the Student Union Building) 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 Navarro College and has complete and full control of Navarro College's activities limited only by the State legislature, the courts, and the will of the people as expressed in Board of Trustee elections. Official Board action is taken only in meetings that comply with the Open Meetings Act and are based on a majority vote of a quorum (four members) of the Board.

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

LOCAL ECONOMIC CONDITION AND OUTLOOK

Navarro College is located in Navarro County on Interstate Highway 45 approximately 60 miles south of the Dallas/Fort Worth Metroplex and about 50 miles east of Waco. Fall 2004 semester credit enrollment at Navarro College grew by 362 students to 6,022 students on census date, an increase of 6% over Fall 2003. Navarro College has three locations serving more than 6,500 credit and approximately 1,000 continuing education students. Our fourth location in Midlothian is scheduled to open January 2006 and serve western Ellis County students.

Navarro County's 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.

The Navarro County Profile compiled by The County Information Project estimated the 2004 Navarro County population to be 48,243. This represents an approximate seven percent (7%) growth in population since the 2000 census. The county has had stable growth as the Metroplex

spreads toward this area. Building permits for a total of \$24,433,964 were issued for the Richland Chambers/Navarro County area during 2004.

In May 2005, Trinity Mother Frances Health Systems partnered with the Medical Arts Clinic Association in Corsicana and renamed the facility Trinity Clinic. The partnership added an extra 31 physicians and the ability to extend specialty services like cardiology and advanced surgical technologies. Trinity Mother Frances Health Systems has announced plans to build a state-of-the-art hospital in Corsicana.

The arrival of Gander Mountain and Home Depot to the 152-acre development at Interstate 45 and U.S. Highway 287 is attracting several area businesses to expand and open additional facilities in that area. Holiday Inn Express and Chili's Restaurant opened in late 2004. Corsicana National Bank & Trust, Mother Frances Trinity Clinic, and Collin Street Bakery have each committed to opening facilities near this development in the near future. Major developments planned for the Interstate 45 corridor will help to continue that growth. Navarro College looks forward to the opportunity to provide these new businesses with employee training and development. The top fifteen employers in the City of Corsicana/Navarro County as reported by the Corsicana/Navarro County Chamber of Commerce are as follows:

<i>TOP EMPLOYERS IN CORSICANA NAVARRO COUNTY</i>	
Russell Stover Candies	1,000
Corsicana ISD	795
Navarro College	784
Guardian Industries	400
Navarro Regional Hospital	400
Collin Street Bakery	500
Texas Youth Commission	335
City of Corsicana	296
Navarro County	289
Trinity Clinic	287
Kohl's Distribution Center	225
National Envelope	220
Tom's Foods	202
Tru-Serve Distribution Center	185
Oil City Iron Works	162

The total 2003 Effective Buying Income for Navarro County was \$659.7 million with a median income of \$29,738 per household. The 2003 Retail Sales in Navarro County totaled \$441.3 million.

Navarro College's overall financial position is good. The College ended the year with an increase in fund balances. Navarro College is not aware of any other currently known facts,

decisions, or conditions that are expected to have a significant effect on the financial position or result of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of businesses.

MAJOR INITIATIVES

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

Recognitions

- Twenty-six faculty members are NISOD (National Institute for Staff and Organization Development) award recipients since 1991.
- Of six former Piper Professor recipients, two are active faculty members.
- Sponsored by Navarro College and the Navarro College Foundation, the Distinguished Faculty Lecturer Series program is designed to highlight faculty members who embrace his/her field of study to reveal a quality of teaching that goes beyond the normal perimeters. This individual must be a full-time faculty member who has served five or more years and who has demonstrated a sound relationship with the college, students, and the community and is selected each academic year through nominations from faculty, staff, and students.
- The Accounting Staff of Navarro College was again honored by the Government Finance Officers Association with its highest praise: the Certificate of Achievement for Excellence in Financial Reporting now for four consecutive years, 2001, 2002, 2003, and 2004. The GFOA of the United States and Canada award is given to government units and public employee retirement systems whose comprehensive annual financial reports achieve the highest standards in government accounting and financial reporting.
- The Texas A&M University-Commerce-Navarro College Partnership was one of six exemplary higher education programs to receive the Texas Higher Education Star Award from the Texas Higher Education Coordinating Board. This program has grown from 63 students in Fall 1999 to 510 students in Spring 2005, and the partnership has produced 312 certified teachers who are employed in the five county service area.
- Two faculty members attended the prestigious Salzburg Seminar for a study on global learning.
- Navarro College Associate Degree Nursing students were nationally recognized by USA Weekend for their participation in "Make a Difference Day" in October 2004.
- The Navarro College Health Professions department has again proven their success by having a 100% pass rate of board exams in the ADN Nursing, LVN Nursing, and OTA programs.
- Intercollegiate athletic teams have notable accomplishments: five of six teams reached post season. Soccer won Regional and District titles while advancing to the National

Tournament and was the top NJCAA Academic All American Team with a combined GPA of 3.47. Softball won Regional and advanced to the National Tournament while also qualifying for the NJCAA Academic All American Team with a combined GPA of 3.07. Basketball made the Final Four at the Regional Tournament and Volleyball was Runner-Up at the Regional Tournament. Baseball made Top Three in Regional Tournament. Cheerleading placed 2nd in the nation.

Academic Program Enhancements

Navarro College continues efforts to enhance academic program offerings as evidenced by the following:

- Continuing with the SACS Comprehensive Standards and Quality Enhancement Plan Reaffirmation of Accreditation Project.
- Opening facilities to public school students for cultural displays, math competitions, Science Day, and University Interscholastic League competitions.
- Adding additional full-time instructors to support increased enrollment and adding additional Learning Resource Center personnel for off campus student assistance.
- Maintaining health professions computer lab serving students in the health professions department and an ADN Lab that functions similar to a hospital unit.
- Creation of a much needed Cosmetology Program at the Navarro South Campus.
- Continuing refinement of the new Faculty Centered Student Advising Program for full-time, first time students which complements a diverse and valuable network of counseling services available to students. In addition to academic advising and transfer assistance, there is specific counseling on hand for veteran's affairs and two counselors dedicated to international students.
- The Business & Technology Department introduced Corsicana area students to "real life" financial situations and exposed them to educational opportunities in the Career & Technical programs available at Navarro College by holding "Reality Camp." Students obtained a "Reality Check" on how financially difficult it is to support themselves and a family with only a high school education. This successful program could become an annual event.
- The Texas Workforce Commission awarded Navarro College with the First Generation College Student Initiative Grant, identifying 25 high school students qualified through TWC and high school counselors as those unlikely to attend college, and placing them in an intensive summer program with the students housed on campus for a six week program with classes held in Science, Math, Computers, Spanish, and Literature/Composition as well as Arts, Music, and Drama. The students were taught study and life skills and had recreational activities. The program is a plan to follow students throughout their high school career and expose them to the opportunities available to attend college.

Technology and Program Support

Navarro College continues to strive to keep pace with the ever-changing field of technology to provide both instructional equipment and academic support. Some areas of emphasis during the past year include:

- Expanding the use of a point of sale system (Booklog) for the auxiliary enterprises cost centers at all campuses.
- Expanding use of enhanced management tools for the Residence Life Datatel Software which automates the processing of room and meal plan assignments.
- Improved upon the integrated student ID System that provides multiple uses for students' identification cards to include room access in the newer housing units, meal access, stored value plan, and library access using Blackboard software.
- Computer software and equipment was updated and expanded to provide further use of Blackboard to enhance on-line courses as well as campus-based courses.
- Expanded tutorial services through Student Support Services offering peer tutoring, disability accommodations, study skills assistance, and TAKS preparation, all offered at no charge to students who meet program guidelines and are currently enrolled.
- Expanded services provided for Career and Technology majors via the Carl Perkins Career Center which has the mission to break the cycle of poverty for disadvantaged and special population students by easing barriers to vocational postsecondary education. Services include a Career Lab, Job Placement Assistance, Textbook Loans, Gender Equity Guidance, Students with Disabilities, and Single Parent/Displaced Homemakers.
- The Pearce Civil War collection is an extraordinary collection that has grown to over 14,000 significant letters, signatures, diaries, journals, photographs, and memorabilia from the Civil War era. The Pearce Collection is remarkable for its balanced coverage of both sides of the war in its depth and content and was rewarded with a one-time \$500,000 allocation from the Texas Historical Commission, which aided in construction. The Southwestern Art Collection includes over 150 paintings and sculptures by prominent artists.
- The Robert S. Reading Arrowhead and Indian Artifact Collection is located in the Gaston Gooch Learning Resource Center. Consisting of approximately 48,000 artifacts, it is one of the finest Native American collections in the Southwest.
- The Roe and Ralston Law Library of Navarro College is one of the finest collections of publicly available legal materials in Texas dating to the 1860's and containing over 5,000 legal materials.

Construction and Expansion Projects

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

- A new 32 bed residence life unit was completed for occupancy in the Fall 2005 semester.

- The former Waller Student Center conversion to a classroom building was completed and faculty occupied new offices before the Fall 2005 semester began. The new classrooms provide much needed space for the enlarged enrollment.
- The new Walker Dining Services Building was completed and began servicing students and staff in Summer 2005. The new facility offers expanded serving lines with both “cafeteria” type food and stations for burgers or sandwiches, pizza, and other specialties. The new and much larger Rick & Rosie’s Deli also opened to help serve the growing number of students, faculty, and staff. The hours for the Deli were expanded, as were the choices of food. Residence Life Students can choose to eat in the Deli using their meal plan or items can be purchased a la carte.
- Construction continues on the Midlothian Campus with completion and occupancy to take place in Spring 2006.
- The new Learning Resource Center construction is nearing completion and will offer expanded studying opportunities for students. After completion of the new LRC, the current LRC building will be renovated to serve as a new “One Stop Student Center” allowing students to complete the entire registration process in one building.
- The Navarro College Intramural Athletics department continues to grow, offering a chance to compete or just stay fit by participating in our extensive Intramural sports program that includes men’s, women’s, and co-ed leagues. Many students participate in activities that create camaraderie among students as well as friendly competition.
- Navarro College prides itself on the opportunities students have to cultivate close associations with fellow students, faculty, and staff, feeling the friendships formed are usually the most memorable part of the college experience. Navarro College recognizes 25 student organizations including academic, sports and recreational clubs, governance, campus and community service, religious organizations, international student clubs, and performing and visual arts groups. Clubs expanded to the Waxahachie and Mexia campuses this year, enhancing the feel of college life among those students.

COMMUNITY, OUTREACH, AND PARTNERSHIPS

Navarro College commits to provide educational and social opportunities for students at a reasonable cost. Student Financial Aid personnel actively assist students with all facets of financial aid to help fund their educational costs. The College aims to provide high quality educational experiences for all students and to establish a nurturing learning environment to promote responsible citizenship. Navarro College will maintain a warm and supportive climate that builds a sense of community among learners, the community, and staff and build strong relationships between the college and communities served. Navarro College pledges to remain accountable as an institution of higher learning and as a custodian of the public trust.

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

- Working with service area high schools through the Tech Prep program to offer dual credit classes, articulated programs, and classes to prepare students for the workforce in technical fields. This program allows students to save time and money by taking advantage of the Tech Prep programs in high school allowing them to gain early college credit.
- Dual Credit/Early Admission college courses provide the opportunity for high school students to earn college credit while still in high school. This program provides economic savings by offering early college coursework enabling students to complete college in less time.
- Offering Internet Courses – This instructional delivery method enables more students to access college courses by providing more flexibility in scheduling work and college.
- The Cook Education Center, located adjacent to main campus in Corsicana, is equipped with a 60 foot domed planetarium, the largest in Texas, and an observatory containing a 14 inch Celestron computer operated telescope. This allows visitors to experience first hand the forces, scientific, technical, and artistic, that drive the human imagination and serves as an educational magnet for both the College and surrounding 31 independent school districts that serve over 40,000 students. Funds are available to faculty who desire to use the Cook Center as an extension of the classroom experience. Space Camp and the new Advanced Rocket Camp are two successful programs at the Cook Education Center. The programs, designed to be both educational and entertaining, are beneficial to students interested in learning more about space. Participants learn about constellations, view planetarium shows, participate in several astronomy activities including telescopes, and building model rockets that are launched on the last day of each space camp.
- The Navarro College Elderhostel program offers two options: Pearce Civil War Collection Curation and Preservation Service Project and the Day of Discovery program. The Hostellers are allowed to select aspects of the collection they desire to transcribe and then proceed to index and preserve documents and artifacts during their five-day stay. The Day of Discovery program is designed for intense one-day study of Civil War History. These Elderhostel programs have offered over 250 people to experience the Civil War in a personal way. The Intergenerational Space Camp program is designed to give Hostellers and their grandchildren a shared experience of Space Camp. This program has attracted approximately 100 Hostellers and grandchildren from Iowa, Tennessee, Nebraska, Kansas, Virginia, Maine, Pennsylvania, Missouri, Georgia, Alabama, Maryland, Arkansas, Massachusetts, New York, and Illinois.
- The Navarro College “Top Dawg” program was established to generate interest in attending Navarro College from the top ten percent of graduating seniors within the college service area. Students are invited to the college for a tour of facilities and an overview of services offered by the College with a luncheon concluding the tour. “Dawg Days” is a program designed for all other high school graduating seniors within the service area. The intent is to attract these students to Navarro College and encourage them to consider Navarro College as their institution of choice. An orientation program “Dawg Island – Survivor” is a two- day intense information seminar to prepare students

for college. Students have the opportunity to meet potential roommates, experience residence life with an overnight stay, and even register for classes.

- Dawg Diplomats Student Ambassador Program involves students in recruitment and retention activities affording them high visibility during the Top Dawg programs. Dawg Diplomats are administered through the Office of Student Relations and students selected must have knowledge of the College and its history and tradition, strong interpersonal communication skills, and a grade point average of at least 2.5.
- Continuing the “Opening Doors to Success” Program continues to be very successful in identifying students with potential to succeed, but not enrolling in college for whatever reason. This program provides individualized counseling attention and financial assistance to qualifying students.
- The Navarro College Small Business Development Center is jointly funded and sponsored by Navarro College and the U.S. Small Business Administration. The office is headquartered at the Corsicana Chamber of Commerce and offers assistance for making a small business more profitable, productive, effectively manageable, and fiscally sound. Services include assistance with accounting/bookkeeping, financial analysis, management, personnel matters, advertising and marketing, inventory control, quality control, budget forecasting, bidding on government contracts, employment training and assessment, importing/exporting, and businesses owned by minorities and women.
- Navarro College sponsors PAL (People for Active Living) through monthly meetings held at the Cook Center. This is a club for senior citizens to fellowship through luncheons, field trips, and social projects such as food and soap drives for agencies throughout the community.
- Navarro College has a cooperative agreement with John Deere to provide certificate, associate degree, and continuing education programs in agriculture mechanization technology. This program helps prepare the student for employment by providing skills in the repair and maintenance of complex mechanized farm equipment. Continuing education courses are provided for employees of dealerships enabling the employee to maintain skills to work in an ever-changing industry.
- Enabling area residents to obtain baccalaureate and graduate credit through a partnership with Texas A&M University whereby courses are offered on the Navarro College campus. This partnership makes educational access more readily available to area residents. It has especially been beneficial to those seeking degrees to enter the teaching field.
- Fire and police academies help to provide trained applicants for these high demand service professions. Continuing education classes are also offered in these areas to assist departments in the effort to keep employees up to date with certifications.
- A very active health occupations curriculum helps to train students to meet staffing needs in areas such as nursing, medical lab technology, and occupational therapy. New programs in nurse aid training have been established at high schools as well. Continuing education programs in the health field allow students to obtain training or complete recertification requirements.
- Participating in work force development grants, such as the agreement with CVS Pharmacy and Walgreen’s, to provide customized training programs to meet the training needs of the employer/employee participating in the program by offering training in high performance work team concepts, safety, and equipment/machinery operation. On the job training is also offered to enhance the skill sets of the incumbent workers.

FINANCIAL INFORMATION

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

As a recipient of federal, state, and local financial awards, Navarro College is also responsible for providing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic review or evaluation by management, internal audit, and the independent auditors of Navarro College. As a part of Navarro College's single audit, tests are conducted to determine the adequacy of the internal control structure, including that portion related to federal and state financial award programs, as well as to determine that Navarro College has complied with applicable laws and regulations. The results of Navarro College's single audit for the fiscal year ended August 31, 2005, provided no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations.

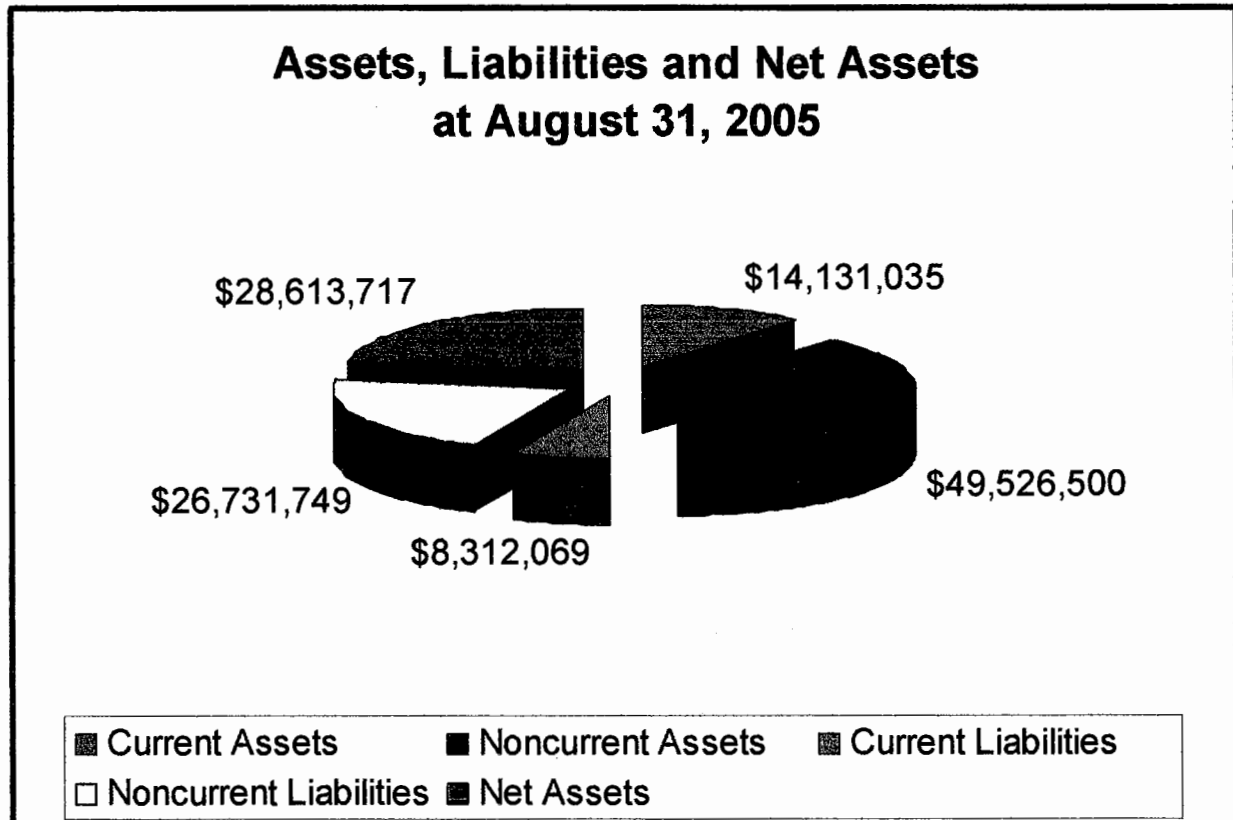
In addition, Business Services staff maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Navarro College Board of Trustees. Activities of all funds are included in the annual appropriated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

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

Navarro College issued the Consolidated Fund Revenue and Refunding Bonds on March 25, 2003 for \$20,715,000. Proceeds from the sale of the Bonds, together with certain College funds were used to refund the College's outstanding bonds in order to lower and restructure the College's annual debt service and reconstitute Pledged Revenues and pay costs associated with issuance, including a surety bond. The balance of the proceeds has funded and continues to fund construction, renovation and equipping of buildings and facilities of Navarro College.

Statement of Net Assets

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



Total cash and total investments for August 31, 2005 were \$12,879,959, compared to \$20,368,383, at August 31, 2004. The decrease was due to spending bond proceeds on the 2004-05 construction programs.

Total Liabilities increased from \$30,539,423 at August 31, 2004 to \$35,043,818 at August 31, 2005. The major factor contributing to the increase of \$4,504,395 in liabilities was the lease/purchase agreement for the Midlothian Campus.

Net Assets is divided into three sections: Invested in capital assets, net of debt, Restricted net assets and Unrestricted net assets. Total Net Assets increased from \$28,422,143 at August 31, 2004 to \$28,613,717 at August 31, 2005.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets is the activity that resulted in the change in net assets reflected in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets is divided into five sections: Operating revenues, Operating expenses, Nonoperating revenues, expenses, Other revenues, expenses, gains, or losses. The Management's Discussion and Analysis provides detail on the purpose of this statement as well as a condensed version of the statement.

GASB 34/35 requires that tuition and fees and Auxiliary enterprise charges be reported net on any allowances and discounts. The tuition and fees, net of allowances are \$5,444,614 representing a 33% increase. This is due mainly to enrollment growth and an increase in student tuition and fees. Auxiliary enterprise charges, net of discounts are \$3,402,448 at August 31, 2005, which reflects a 22% increase due to expanded room and board facilities and additional revenues from College Store sales.

State allocations remain virtually unchanged at \$10,121,395. Grants and contracts increased from \$17,522,902 to \$20,473,363 for August 31, 2005 due to increased activity with Pell grants and Stafford Loans.

Net assets increased from \$28,422,143 to 28,613,717.

Statement of Cash Flows

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

Navarro College had \$8,063,909 in cash and equivalents at the end of fiscal 2005 compared to \$10,961,275 at the end of fiscal 2004. The decrease is primarily due to construction project expenses.

Debt Administration

As of August 31, 2005, Navarro College had \$20,490,000 of debt issue outstanding, which is the Consolidated Fund Revenue and Refunding Bonds, Series 2003. These bonds are for the purpose of providing funds for constructing, improving, enlarging, and equipping the Corsicana facilities and for refunding Revenue Bond Series 1999, 2001 and 2002.

Cash Management

During the year, cash temporarily idle was invested in short-term investments. The average yield on all investments was 2.54 percent. Navarro College earned interest revenue of \$371,330 on all investments for the year ended August 31, 2005, and \$376,719 for the year ended August 31, 2004.

The investment policy, which is reviewed and updated annually, is designed to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, bank deposits were either insured by federal depository insurance or collateralized throughout the year. The Federal Home Loan Bank of Dallas and the Federal Reserve Bank, acting as Navarro College's agents, hold the securities pledged to the College.

Risk Management

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

Programs covered include Property, Liability, Employee Educators Liability, Employee Dishonesty Coverage, Interscholastic Accident Insurance, Student Medical Professional Liability, Unemployment Compensation and Workers' Compensation. Coverage was expanded in 2004 to provide builders risk coverage for construction projects and Owner Controlled Insurance Program (OCIP) coverage to include workers' compensation and liability coverage for contractors working on said construction projects.

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

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

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

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

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. Navarro College's Board of Trustees selected the accounting firm of Hudson Anderson & Associates, P.C. for fiscal year 2005. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act amendments of 1996 and related OMB Circular A-133 and the State of Texas Single Audit Circular. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

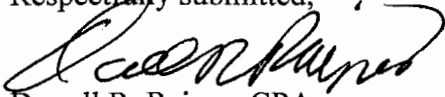
ACKNOWLEDGMENTS AND AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Navarro College for its comprehensive annual financial report for the fiscal year ended August 31, 2004. This was the fourth consecutive year that the College has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

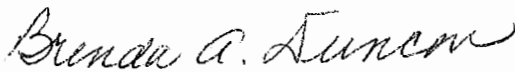
The preparation of this report could not have been accomplished without the efficient and dedicated services of Business Services staff, particularly the Accounting Department. Appreciation is expressed to the accounting firm of Hudson Anderson & Associates, P.C. for assistance in timely completion of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

Respectfully submitted,



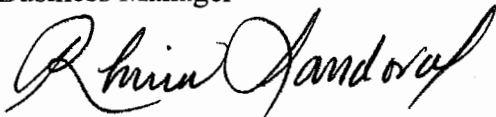
Darrell R. Raines, CPA

Vice President for Finance and Administration



Brenda A. Duncan, CPS

Business Manager



Rhina H. Sandoval

Controller

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, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



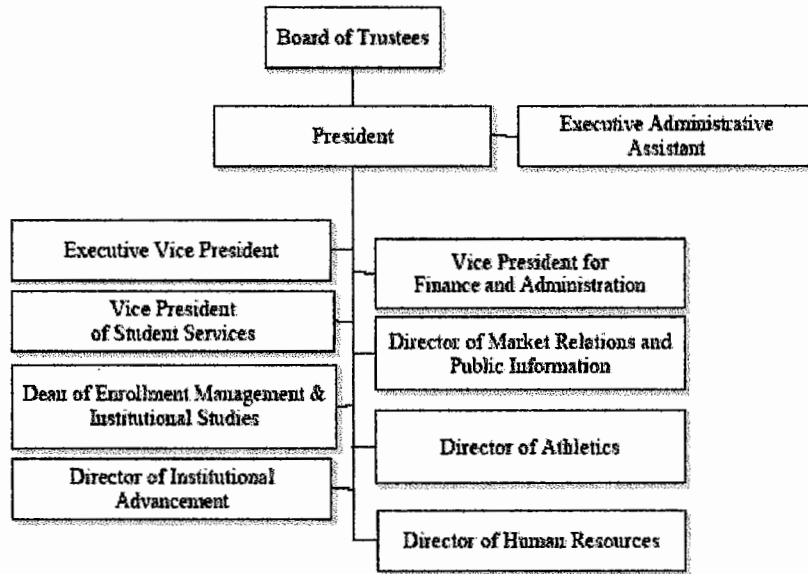
Nancy L. Zjelle

President

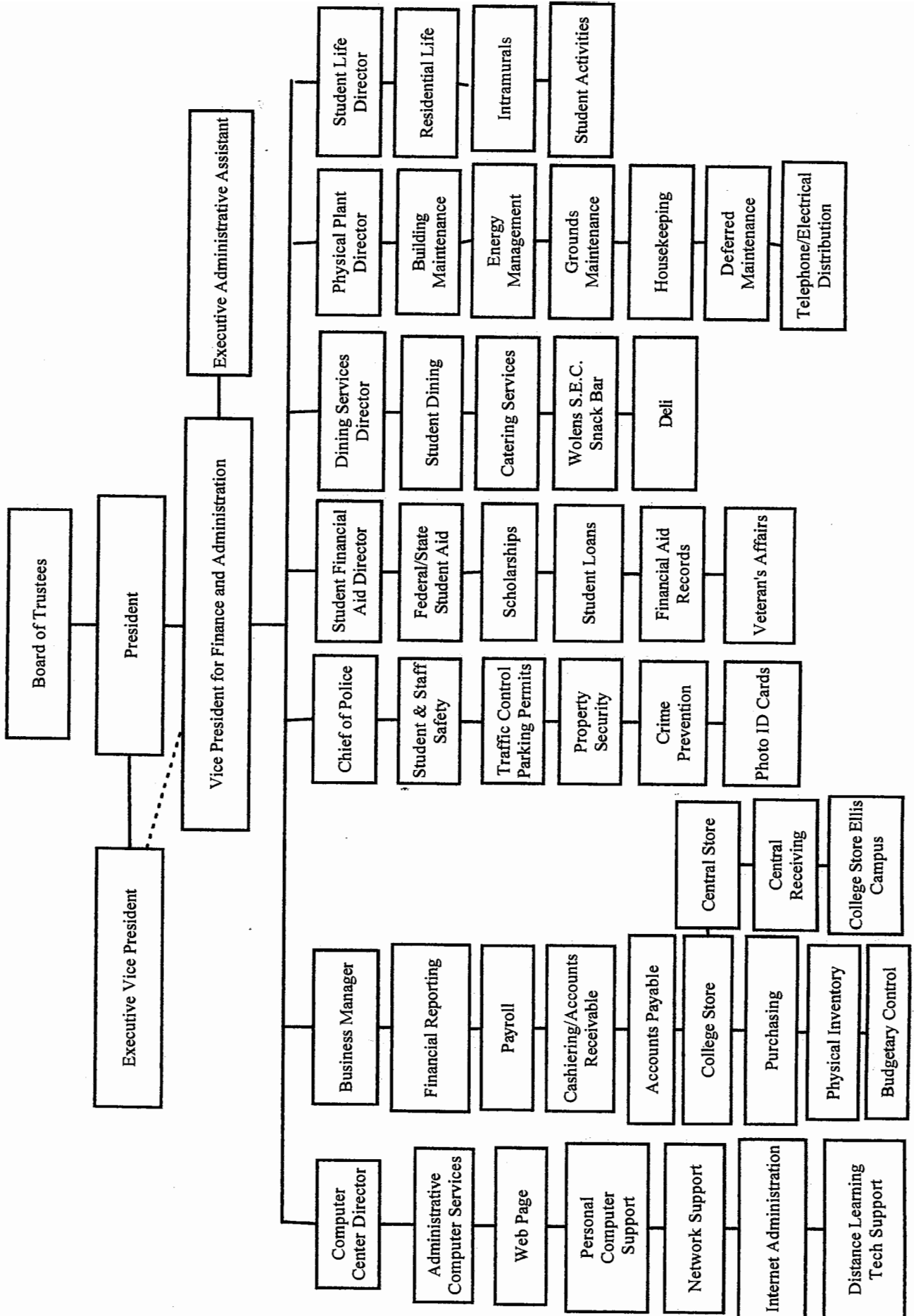
Jeffrey R. Egan

Executive Director

III.03.01
NAVARRO COLLEGE
Organizational Chart
President



III.03.03
 NAVARRO COLLEGE
 Organizational Chart
 Vice President for Finance and Administration



Navarro College

Principal Officials For the Year Ending August 31, 2005

Board of Trustees

Officers

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

Members

Term Expires

James E. Borkchum	Corsicana, Texas	2007
Lloyd D. Huffman	Corsicana, Texas	2011
Todd McGraw	Blooming Grove, Texas	2007
James G. Price, D.D.S.	Corsicana, Texas	2007
Zane Stites	Corsicana, Texas	2009
Liston Herod	Corsicana, Texas	2011
Homer G. Wasson	Kerens, Texas	2009

Executive Officers

Richard M. Sanchez, Ed.D.	President
Lary L. Reed, Ed.D.	Executive Vice-President
Darrell R. Raines, C.P.A.	Vice-President for Finance and Administration
Kenneth Martin, Ed.D.	Vice-President for Student Services

Business Officers

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

Navarro College Board of Trustees and President



Homer G. Wasson
Chairman



Dr. James G. Price
Vice-Chairman



Lloyd Huffman
Secretary-Treasurer



Dr. Richard Sanchez
President-Navarro College



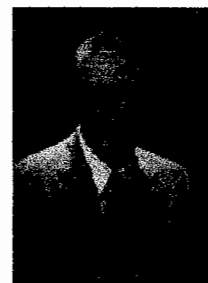
James E. Borkeham
Trustee



Liston Herod
Trustee



Todd McGraw
Trustee



Zane Sites
Trustee

FINANCIAL SECTION

HUDSON ANDERSON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

119 NORTH MAIN
CORNICANA, TEXAS 75110
(903) 872-2571
FAX (903) 874-1413

HUDSON ANDERSON, CPA

FRANK MARX III, CPA

Independent Auditors' Report

Board of Trustees
Navarro College
Corsicana, TX

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Navarro College as of and for the years ended August 31, 2005 and 2004, which collectively comprise the College's basic financial statements as listed in the table of contents. These basic financial statements and supplemental schedules referred to below are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements and supplemental schedules based on our audits.

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 audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Navarro College as of August 31, 2005 and 2004, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, we have also issued our report dated November 1, 2005, on our consideration of the Navarro College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The introductory section, supplementary schedules (Schedules A, B, C, and D), and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards (Schedules E and F) 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 Nonprofit Organizations*, and the State of Texas *Single Audit Circular*, and are also not a required part of the basic financial statements of Navarro College. The supplementary schedules and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In our opinion, the College has materially complied with the provisions of the 2003 Consolidated Fund Revenue & Refunding Bonds indenture.

Hudson Anderson & Associates, P.C.

Hudson Anderson & Associates, P.C.
November 1, 2005

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Navarro College is proud to present its financial statements for fiscal year ended August 31, 2005. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

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

Statement of Net Assets

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

**Navarro College
Statement of Net Assets
August 31, 2005**

	<u>2005</u>	<u>2004</u>	<u>Amount of Change</u>	<u>% of Change</u>
Assets				
Current Assets	\$ 14,131,035	\$ 18,390,014	\$ (4,258,979)	-23.16%
Capital Assets	33,097,033	32,335,758	761,275	2.35%
Other Assets	<u>16,429,467</u>	<u>8,235,794</u>	<u>8,193,673</u>	99.49%
Total Assets	<u><u>63,657,535</u></u>	<u><u>58,961,566</u></u>	<u><u>4,695,969</u></u>	<u><u>7.96%</u></u>
Liabilities				
Current Liabilities	8,312,069	7,920,501	391,568	4.94%
Noncurrent Liabilities	<u>26,731,749</u>	<u>22,618,922</u>	<u>4,112,827</u>	18.18%
Total Liabilities	<u><u>35,043,818</u></u>	<u><u>30,539,423</u></u>	<u><u>4,504,395</u></u>	<u><u>14.75%</u></u>
Net Assets				
Invested in capital assets, net of debt	21,592,309	20,707,351	884,958	4.27%
Restricted - nonexpendable	-	-	-	0.00%
Restricted - expendable	3,173,864	3,194,512	(20,648)	-0.65%
Unrestricted	<u>3,847,544</u>	<u>4,520,280</u>	<u>(672,736)</u>	-14.88%
Total Net Assets	<u><u>28,613,717</u></u>	<u><u>28,422,143</u></u>	<u><u>191,574</u></u>	<u><u>0.67%</u></u>
Total Net Assets and Liabilities	<u><u>\$ 63,657,535</u></u>	<u><u>\$ 58,961,566</u></u>	<u><u>\$ 4,695,969</u></u>	<u><u>7.96%</u></u>

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

Current and other assets decreased because of a structured plan to flow these assets into capital assets.

Noncurrent assets increased substantially due to the lease/purchase agreement for acquisition of the Midlothian campus. Net unrestricted assets decreased substantially as fund balances from the prior year were used to purchase land adjacent to the Waxahachie campus and acquire three buses for the student transportation fleet.

The increase in the total net asset balance of \$4,695,969 includes the cost for the first phase of the Midlothian campus.

Total liabilities increased to \$35,043,818 from \$30,539,423 for an increase of \$4,504,395.

Statement of Revenues, Expenses and Changes in Net Assets

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

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

Navarro College
Statement of Revenues, Expenses, and Changes in Net Assets
8/31/2005

	<u>2005</u>	<u>2004</u>	<u>Amount of Change</u>	<u>% of Change</u>
Operating revenues				
Tuition and fees	\$ 5,444,614	\$ 4,084,042	\$ 1,360,572	33.31%
Grants and contracts	20,460,528	17,522,902	2,937,626	16.76%
Sales and services	3,665,581	3,044,220	621,361	20.41%
Other operating revenues	277,140	185,027	92,113	49.78%
Total operating revenues	<u>29,847,863</u>	<u>24,836,191</u>	<u>5,011,672</u>	<u>20.18%</u>
Nonoperating revenues				
State allocations	10,121,395	10,153,252	(31,857)	-0.31%
Maintenance Ad-Valorem Taxes	2,302,370	2,295,887	6,483	0.28%
Gifts	-	200,000	(200,000)	-100.00%
Investment income	371,330	376,719	(5,389)	-1.43%
Donation from Navarro College Foundation, Inc.	90,474	4,932,837	(4,842,363)	-98.17%
Other Non-Operating Revenues	87,452	-	87,452	100.00%
Gain (Loss) on disposal of assets	-	132,566	(132,566)	-100.00%
Total nonoperating revenues	<u>12,973,021</u>	<u>18,091,261</u>	<u>(5,118,240)</u>	<u>-28.29%</u>
Total revenues	<u><u>42,820,884</u></u>	<u><u>42,927,452</u></u>	<u><u>(106,568)</u></u>	<u><u>-0.25%</u></u>
Operating expenses				
Instruction	12,733,827	11,621,720	1,112,107	9.57%
Public Service	21,679	19,341	2,338	12.09%
Academic Support	1,871,061	1,754,738	116,323	6.63%
Student Services	1,608,225	1,532,696	75,529	4.93%
Institutional Support	3,114,759	2,870,416	244,343	8.51%
Operation and Maintenance of Plant	2,505,793	2,234,986	270,807	12.12%
Scholarships and Fellowships	14,958,366	11,879,182	3,079,184	25.92%
Auxiliary Enterprises	3,754,771	2,889,154	865,617	29.96%
Depreciation Expense	971,112	755,684	215,428	28.51%
Total operating expenses	<u>41,539,593</u>	<u>35,557,917</u>	<u>5,981,676</u>	<u>16.82%</u>
Nonoperating expenses				
Interest on capital related debt	1,088,620	1,138,216	(49,596)	-4.36%
Other nonoperating expenses	1,097	300	797	265.67%
Total nonoperating expenses	<u>1,089,717</u>	<u>1,138,516</u>	<u>(48,799)</u>	<u>-4.29%</u>
Total expenses	<u><u>42,629,310</u></u>	<u><u>36,696,433</u></u>	<u><u>5,932,877</u></u>	<u><u>16.17%</u></u>
Other revenues, (expenses), gains, (losses)				
Other revenues	-	-	-	0.00%
Gain on refinancing of bonds	-	-	-	0.00%
Change in Net Assets	<u>191,574</u>	<u>6,231,019</u>	<u>(6,039,445)</u>	<u>-96.93%</u>
Ending Net Assets	<u><u>\$ 28,613,717</u></u>	<u><u>\$ 28,422,143</u></u>	<u><u>\$ 191,574</u></u>	<u><u>0.67%</u></u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in net assets at the year-end. Grants and contracts increased by \$2,937,626 or 16.76% due to increases in awards for Pell grants and Stafford student loans. Investment income decreased slightly due to the decrease in construction funds. Operating revenues increased by \$5,011,672 which is attributable to increased student income and other operating revenues including auxiliary enterprise revenues. These increases are related to enrollment growth and increases in fee structures. Non-operating revenues decreased by \$5,118,240 as 2004 reflected a one-time donation from the Navarro College Foundation.

There were corresponding increases in total operating expenses. A major increase was the pass through of federal grants and student loans shown under scholarship and fellowships increasing 25.92% from \$11,879,182 to \$14,958,366. Cost of instruction increased by \$1,112,107 for a 9.57% change. Operating revenues were up 20% while corresponding expenses increased 17%.

Statement of Cash Flows

The final statement presented by Navarro College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The first part of the Statement of Cash Flows deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

Navarro College				
Statement of Cash Flow				
8/31/2005				
	<u>2005</u>	<u>2004</u>	<u>Amount of</u> <u>Change</u>	<u>% of</u> <u>Change</u>
Cash provided (used) by:				
Operating activities	\$ (10,871,641)	\$ 850,141	\$ (11,721,782)	
Noncapital financing activities	12,443,869	2,386,143	10,057,726	
Investing activities	5,227,407	8,442,055	(3,214,648)	
Capital and related financing activities	<u>(9,697,001)</u>	<u>(5,518,812)</u>	<u>(4,178,389)</u>	
Net Change in Cash	(2,897,366)	6,159,727	(9,057,093)	
Cash, beginning of year	10,961,275	4,801,548	6,159,727	
Cash, end of year	<u>\$ 8,063,909</u>	<u>\$ 10,961,275</u>	<u>\$ (2,897,366)</u>	<u>-26.43%</u>

Inspection of cash flows shows a substantial decrease in cash flow. However, it should be noted this was a planned action as cash and investments were liquidated to provide funding for capital improvements including new construction on the Corsicana campus, land acquisition for the Waxahachie campus, the addition of a transportation fleet and technology enhancement.

Capital Asset and Debt Administration

Navarro College issued Consolidated Fund Revenue and Refunding Bonds, Series 2003 on March 25, 2003. The proceeds of \$20,715,000 were used to refund Construction Bonds of 1999, 2000 and 2001 and fund various construction projects on the Corsicana campus. These projects include a new library with clock tower/courtyard; a new dining services building; two new 32-bed residence halls; a new 64-bed residence hall with parking lot; and renovations to existing buildings. Two of the projects were completed and added to capital assets for facilities in fiscal year 2003: the renovations of the Drane Hall of Science building and the 32-bed residence hall on the Corsicana campus. The 64-bed residence hall was completed in fiscal year 2004. The Waller Classroom Building renovation, Walker Dining Hall, and a 32-bed residence hall were completed in fiscal year 2005. The completion of the construction projects is anticipated for early 2006.

For additional information concerning Capital Assets and Debt Administration, see Notes 6, 7, 8, and 9 in the notes to the financial statements.

Economic Outlook

Navarro College is not aware of any currently known facts, decisions, or conditions that are expected to have significant effect on the financial position or

result of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of businesses.

During the last year Navarro College made great strides in increasing its physical plant by adding \$12.4 million in capital assets net of depreciation including a new campus at Midlothian, a new student residence hall, renovation of the Waller Classroom Building, completion of the Walker Dining Hall, adding to the transportation fleet and new information technology servers and software. These additions are positioning the College for the future.

A handwritten signature in black ink, appearing to read "Darrell R. Raines". The signature is fluid and cursive, with a large initial "D" and "R".

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

BASIC FINANCIAL STATEMENTS

Navarro College
Statements of Net Assets
For the Years Ended August 31, 2005 and 2004

Exhibit 1

	August 31, 2005		August 31, 2004	
	Primary Institution	Component Unit	Primary Institution	Component Unit
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 4,428,316	\$ 95,489	\$ 5,489,097	\$ 10,992
Accounts receivable, net	3,369,295	-	3,492,545	-
Delinquent tax receivable, net	259,950	-	280,054	-
Investments	4,216,050	21,000	7,251,708	611,000
Interest receivable	2,733	-	60,478	-
Current portion of notes receivable	35,000	-	35,000	-
Inventories	940,597	-	919,029	-
Prepaid Expenses	879,094	-	862,103	-
Total Current Assets	14,131,035	116,489	18,390,014	621,992
Noncurrent Assets				
Restricted cash and cash equivalents	3,635,593	296,659	5,472,178	33,027
Investments	600,000	829,928	2,155,400	818,681
Other receivables	-	953,267	-	423,676
Note receivable	210,000	-	245,000	-
Bond issuance cost, net of accumulated amortization	348,082	-	363,216	-
Capital assets, not depreciated	11,635,792	7,138,293	5,500,583	5,329,600
Capital assets, net of accumulated depreciation	33,097,033	83,238	26,835,175	1,479,385
Total Noncurrent Assets	49,526,500	9,301,385	40,571,552	8,084,369
TOTAL ASSETS	63,657,535	9,417,874	58,961,566	8,706,361
LIABILITIES				
Current Liabilities				
Accounts payable	2,630,804	4,372	1,875,774	2,720
Accrued interest	281,871	-	283,202	-
Deferred revenue	4,481,447	-	4,986,518	-
Current portion accrued compensated absences	191,749	-	178,197	-
Current portion accrued workers compensation claims	35,076	-	37,461	-
Current portion of bonds payable	300,000	-	225,000	-
Current portion of notes payable	228,948	-	206,933	58,223
Current portion of leases payable	162,174	-	127,416	-
Total Current Liabilities	8,312,069	4,372	7,920,501	60,943
Noncurrent Liabilities				
Accrued compensated absences	936,184	-	870,019	-
Accrued workers compensation claims	105,228	-	112,384	-
Funds held for others	190,675	-	175,852	-
Student deposits	149,912	-	153,957	-
Revenue bonds payable	20,190,000	-	20,490,000	-
Notes payable	464,145	-	708,930	694,090
Obligations under other capital leases	4,695,605	-	107,780	-
Total Noncurrent Liabilities	26,731,749	-	22,618,922	694,090
TOTAL LIABILITIES	35,043,818	4,372	30,539,423	755,033
NET ASSETS				
Invested in capital assets, net of related debt	21,592,309	7,232,531	20,707,351	6,056,672
Restricted for:				
Nonexpendable	-	-	-	-
Expendable				
Foundation oper./capital proj./scholarships	-	2,089,854	-	1,538,073
Scholarships	3,023,625	-	3,060,037	-
Debt service	150,239	-	134,475	-
Capital projects	-	-	-	-
Unrestricted	3,847,544	91,117	4,520,280	356,583
TOTAL NET ASSETS (Schedule D)	\$ 28,613,717	\$ 9,413,502	\$ 28,422,143	\$ 7,951,328

The accompanying notes are an integral part of these financial statements

Navarro College
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended August 31, 2005 and 2004

Exhibit 2

	August 31, 2005		August 31, 2004	
	Primary Institution	Component Unit	Primary Institution	Component Unit
Operating Revenues:				
Tuition and fees, net of discounts of \$3,785,396 and \$3,955,010	\$ 5,444,614	\$ -	\$ 4,084,042	\$ -
Federal grants and contracts	9,382,723	-	9,200,485	-
State grants and contracts	154,180	-	123,677	-
Nongovernmental grants and contracts	10,923,625	77,600	8,198,740	97,000
Sales and services of educational activities	263,133	151,841	259,937	115,191
Auxiliary enterprises, net of discounts of \$3,097,142 and \$3,235,919	3,402,448	-	2,784,283	-
Other operating revenues	277,140	-	185,027	-
Total Operating Revenues (Schedule A)	29,847,863	229,441	24,836,191	212,191
Operating Expenses				
Instruction	12,733,827	-	11,621,720	-
Public Service	21,679	-	19,341	-
Academic Support	1,871,061	-	1,754,738	-
Student Services	1,608,225	-	1,532,696	-
Institutional Support	3,114,759	189,926	2,870,416	146,959
Operation and Maintenance of Plant	2,505,793	-	2,234,986	-
Scholarships and Fellowships	14,958,366	60,002	11,879,182	68,703
Auxiliary Enterprises	3,754,771	-	2,889,154	-
Depreciation Expense	971,112	19,677	755,684	32,795
Total Operating Expenses (Schedule B)	41,539,593	269,605	35,557,917	248,457
Operating Income (Loss)	(11,691,730)	(40,164)	(10,721,726)	(36,266)
Non-Operating Revenues (Expenses)				
State allocations	10,121,395	-	10,153,252	-
Maintenance Ad-Valorem Taxes	2,302,370	-	2,295,887	-
Gifts	-	1,295,127	200,000	975,500
Bank Fees	(1,097)	-	(300)	-
Investment Income	371,330	123,339	376,719	50,213
Donation from Navarro College Foundation, Inc.	90,474	(90,474)	4,932,837	(4,932,837)
Other Non-Operating Revenues (Expenses)	87,452	-	-	-
Gain (Loss) on disposal of assets	-	208,087	132,566	(8,912)
Loss in market value of restricted net assets	-	(7,596)	-	(158,184)
Interest on Capital Related Debt	(1,088,620)	(26,145)	(1,138,216)	(49,199)
Net Non-Operating Revenues (Expenses) (Schedule C)	11,883,304	1,502,338	16,952,745	(4,123,419)
Increase (Decrease) in Net Assets	191,574	1,462,174	6,231,019	(4,159,685)
Net Assets				
Net Assets-Beginning of Year	28,422,143	7,951,328	22,191,124	12,111,013
Net Assets-End of Year	\$ 28,613,717	\$ 9,413,502	\$ 28,422,143	\$ 7,951,328

The accompanying notes are an integral part of these financial statements

Navarro College
Statements of Cash Flows
For the Years Ended August 31, 2005 and 2004

Exhibit 3

	<u>2005</u>	<u>2004</u>
	Primary Institution	Primary Institution
Cash Flows from Operating Activities		
Receipts from students and other customers	\$ 15,760,211	\$ 15,003,146
Receipts from grants and contracts	20,311,364	17,522,902
Payments to suppliers for goods and services	(10,647,723)	(10,197,103)
Payments to or on behalf of employees	(17,830,644)	(16,418,806)
Payments for scholarships and fellowships	(18,741,989)	(15,834,193)
Other receipts	<u>277,140</u>	<u>620,943</u>
Net cash provided (used) by operating activities	(10,871,641)	(9,303,111)
Cash Flows from Noncapital Financing Activities		
Receipts from state allocations	10,121,395	10,153,252
Receipts from ad valorem taxes	2,322,474	2,386,143
Receipts from student org. & agency transactions	8,464,179	7,391,125
Payments to student org. & agency transactions	<u>(8,464,179)</u>	<u>(7,391,125)</u>
Net cash provided by noncapital financing activities	12,443,869	12,539,395
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of capital debt	4,750,000	-
Contributions received in aid of construction	-	200,000
Proceeds from the sale of capital assets	-	150,000
Purchases of capital assets	(12,868,228)	(4,343,803)
Payments on capital debt - principal	(575,187)	(362,629)
Payments on capital debt - interest	(1,089,951)	(1,161,880)
Payments on capital debt - bank fees	(1,097)	(300)
Other sources, net	<u>87,462</u>	<u>-</u>
Net cash provided (used) by capital & related financing activities	(9,697,001)	(5,518,612)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	4,591,058	7,810,965
Proceeds from collection of note receivable	35,000	35,000
Interest on investments	429,075	388,687
Change in funds held for others, net	<u>172,274</u>	<u>207,403</u>
Net cash provided by investing activities	5,227,407	8,442,055
Net change in cash and cash equivalents	(2,897,366)	6,159,727
Cash and cash equivalents, beginning of year	<u>10,961,275</u>	<u>4,801,548</u>
Cash and cash equivalents, end of year	<u>\$ 8,063,909</u>	<u>\$ 10,961,275</u>

Navarro College
Statements of Cash Flows
For the Years Ended August 31, 2005 and 2004

Exhibit 3

	<u>2005</u> Primary Institution	<u>2004</u> Primary Institution
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (11,691,730)	\$ (10,721,726)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation and amortization expense	971,112	755,684
Changes in assets and liabilities:		
Accounts receivable	123,376	(25,895)
Inventories	(21,568)	(274,371)
Prepaid expenses	(16,991)	(238,151)
Account payable and accrued expenses	199,055	55,852
Deferred revenue	(505,071)	1,023,016
Compensated absences	79,717	71,765
Workers comp liability	(9,541)	50,715
Net cash provided (used) by operating activities	<u>\$ (10,871,641)</u>	<u>\$ (9,303,111)</u>

The accompanying notes are an integral part of these financial statements

NAVARRO COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2005 and 2004

1. REPORTING ENTITY

Navarro College (the College) was established in 1946, in accordance with the laws of the State of Texas, to serve the educational needs of Navarro, Freestone, Limestone, Ellis and Leon counties. A seven-member Board of Trustees elected 3 at-large and 4 from single-member districts from Navarro County for six year terms serves as the oversight unit. The Navarro College District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College 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 Navarro College Foundation, Inc., as described in Note 21, is included in these financial statements as a discrete component unit.

In defining the College's reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The following is a brief summary of the potential component unit addressed in defining the College's reporting entity.

Navarro College Foundation, Inc. (the Foundation)—The Board of Directors of the Foundation are appointed by the Board of Trustees of Navarro College. The Foundation's primary purpose is educational support for the exclusive benefit of Navarro College. As such, the College is fiscally responsible for the Foundation and, based on this criteria, Navarro College Foundation, Inc. is considered a component unit of the College and is included in a discrete presentation in this report. Separate financial statements for the Navarro College Foundation, Inc. may be obtained by contacting Navarro College.

The Foundation is a non-profit entity in which certain accounting requirements differ from the accounting requirements of a special purpose primary government. These differences primarily relate to accounting for contributions received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines

The significant accounting policies followed by Navarro College in preparing these basic 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 requirements are in substantial conformity with the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, as amended by AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, 1973 and as modified by applicable FASB pronouncements issued through November 1989 and as modified by all applicable GASB pronouncements cited in Codification Section Co5, "Colleges and Universities."

In June 1999, The GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public College and Universities*. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective for the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of Navarro College have been presented using the economic measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of when the related cash flows take place. Significant intra-agency transactions have been eliminated. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 in the financial statements. 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 reservations of net assets since they do not constitute expenditures or liabilities.

Inventories, consisting of bookstore, gift shop and food services supplies, are valued at the lower of cost under the "first-in, first-out" method, or market.

Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt:

This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets-expendable:

Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets-nonexpendable:

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets:

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet the current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Accounts Payable

Accounts Payable consists of vendor charges that are unpaid at the date of the financial statements and the College believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Deferred Revenue

Deferred Revenues include amounts for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred Revenues also include amounts received from grant and contract sponsors that have not yet been earned.

State Retirement and Insurance Contributions

The State of Texas contributes to the retirement plan and insurance program. State contributions are reported as income, and staff benefits are reported as expenditures in accordance with state reporting requirements.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered cash equivalents.

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of assets.

Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

Capital Assets

Capital Assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally fifty years for buildings, twenty years for infrastructure and land improvements, and five to ten years for equipment.

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents and all other assets that are liquid in nature. Noncurrent assets include (1) cash and cash equivalents that are restricted in some way or are otherwise classified as noncurrent; (2) investments with maturity dates of twelve months or greater, and (3) other assets that will not be received within the next fiscal year.

Current liabilities include accounts payable and all other liabilities that are payable within the next twelve months. Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Compensated Absences

Employee vacation, comp and sick pay are accrued at year-end for financial statement purposes. The liability and expenses incurred are recorded at year-end as accrued vacation, sick and comp payable in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenue, expenses, and changes in net assets.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues and expenses according to the following criteria:

Operating revenues and expenses:

Operating revenues include activities that have the characteristics of the College's principal ongoing operations, such as:

- (1) student tuition and fees, net of scholarship discounts and allowances,
- (2) sales/services of auxiliary enterprises, net of scholarship discounts and allowances,
- (3) most federal, state and local grants and contracts and Federal allocations, and
- (4) interest on institutional student loans.

State allocations are classified as operating revenues because the College is a separate primary government and is not included as part of the Texas state-wide CAFR. In addition, Texas state allocations are program specific for instructional services provided on behalf of the State and are affected by performance through a formula funding process based on contact hours of instruction provided.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues and expenses:

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues under GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state allocations and investment income.

Scholarship Discounts and Allowances

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

Income Tax Status

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no significant unrelated business income tax liability for the years ended August 31, 2005 and 2004, and therefore, has not recorded a liability for income taxes. The Foundation is exempt from income taxes under Section 501 (c) 3 of the Internal Revenue Code.

Estimates

The preparation of the financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The College also recognizes as operating revenue allocations from the state. The major non-operating revenue is property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

State allocations are classified as operating revenues because the College is a separate primary government and is not included as part of the Texas state-wide CAFR. In addition, Texas state allocations are program specific for instructional services provided on behalf of the State and are affected by performance through a formula funding process based on contact hours of instruction provided.

3. AUTHORIZED INVESTMENTS

The Board of Trustees of Navarro College has adopted a written investments policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256.001, Texas Government Code). The investments of the College are in compliance with the Trustees' investment policies. Such investments include (1) direct obligations of the State of Texas or its agencies, (2) obligations of the United States 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.

4. DEPOSITS AND INVESTMENTS

At August 31, 2005 and 2004, the carrying amount of Navarro College's deposits were \$11,726,460 and \$18,212,983 and total bank balances equaled \$12,452,175 and \$20,215,165. Bank balances of \$648,736 and \$665,782 were covered by federal depository insurance, \$11,740,131 and \$18,486,555 were covered by collateral, and \$63,308 and \$1,062,828 were covered by a surety bond. This collateral is in the form of marketable securities under a joint safekeeping receipts between the College and Chase Bank (held by the Federal Home Loan Bank of Dallas), Bank of America (held by Federal National Mortgage Association), Prosperity Bank (held by Federal Reserve Bank of Dallas), (Category 1) and had a fair value of \$18,470,169 and \$28,577,536 at August 31, 2005 and 2004. The terms of this safekeeping receipt pledge these securities as collateral to secure the funds deposited. The College is subject to custodial credit risk in the event of the bank's nonperformance under the collateral agreement.

Cash and cash equivalents include cash on hand; cash in banks; time deposits; demand deposits; certificate of deposits; and U.S. Treasury notes and bills having a maturity date of less than three months. Cash and cash equivalents are categorized according to three levels of risk as follows:

Category 1: Deposits which are insured or collateralized with securities held by the College or by its agent in the College's name.

Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.

Category 3: Deposits which are uncollateralized.

Bank Balances at August 31, 2005 and 2004:

	August 31, 2005			
	Category 1	Category 2	Category 3	Total
Bank Demand Deposits	\$ 8,060,410	\$ -	\$ -	\$ 8,060,410
Certificates of Deposit				
(short-term) non-negotiable	3,416,050	-	-	3,416,050
Total	\$ 11,476,460	\$ -	\$ -	\$ 11,476,460

August 31, 2004

	Category 1	Category 2	Category 3	Total
Bank Demand Deposits	\$ 10,961,275	\$ -	\$ -	\$ 10,961,275
Certificates of Deposit (short-term) non-negotiable	7,251,708	-	-	7,251,708
Total	\$ <u>18,212,983</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,212,983</u>

To comply with the reporting requirements of GASB Statement No. 3, *Investments (including Repurchase Agreements), and Revenue Repurchase Agreements*, Navarro College's investments are categorized under "Investment Categories" to give an indication of credit risk assumed by Navarro College at year-end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations.

The following categories of credit risk are included:

Category 1: Investments that are insured or registered or for which the securities are held by the College or its agent in the College's name.

Category 2: Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the College's name.

Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the College's name.

Investment Categories

August 31, 2005

Type of Security	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
US Government Securities	\$ 1,150,000	\$ -	\$ -	\$ 1,150,000	\$ 1,150,000
Certificates of Deposit (long-term)	250,000	-	-	250,000	250,000
Total Investments	\$ <u>1,400,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,400,000</u>	\$ <u>1,400,000</u>

August 31, 2004

Type of Security	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
US Government Securities	\$ 1,150,000	\$ -	\$ -	\$ 1,150,000	\$ 1,150,000
Certificates of Deposit (long-term)	1,005,400	-	-	1,005,400	1,005,400
Total Investments	\$ <u>2,155,400</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,155,400</u>	\$ <u>2,155,400</u>

U.S. Government Securities consist of U.S. Treasury Notes, U.S. Treasury bonds, and FNMA and FHLMC backed securities.

	<u>August 31, 2005</u>	<u>August 31, 2004</u>
Cash and Temporary Investments	\$ - 11,476,460	\$ 18,212,983
Investments	<u>1,400,000</u>	<u>2,155,400</u>
Total Deposits & Investments	\$ <u>12,876,460</u>	\$ <u>20,368,383</u>

Under the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain External Investments and External Investment Pool, colleges may report money market and other short-term, highly liquid investments at amortized cost, provided the fair value is not significantly different. The GASB statement considers U.S. Treasury and agency obligations to be money market investments. Accordingly, the U.S. Treasury obligation is reported at amortized cost.

Investment Categories for Discretely Presented Component Units (Navarro College Foundation, Inc.)

Type of Security	<u>August 31, 2005</u>			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
US Government Securities	\$ 788,261	\$ -	\$ -	\$ 788,261	\$ 788,261
Money Market	41,667			41,667	41,667
Other Investments	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>21,000</u>
Total Investments	\$ <u>850,928</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>850,928</u>	\$ <u>850,928</u>

August 31, 2004

Type of Security	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
US Government Securities	\$ 803,479	\$ -	\$ -	\$ 803,479	\$ 803,479
Money Market	15,202	-	-	15,202	15,202
Other Investments	611,000	-	-	611,000	611,000
Total Investments	\$ <u>1,429,681</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,429,681</u>	\$ <u>1,429,681</u>

Total Deposits and Investments for Discrete Component Unit:

	<u>August 31, 2005</u>	<u>August 31, 2004</u>
Total Cash and Deposits	\$ 392,148	\$ 44,019
Total Investments	<u>850,928</u>	<u>1,429,681</u>
Total Deposits and Investments	\$ <u>1,243,076</u>	\$ <u>1,473,700</u>
Cash and Temporary Investments (Discrete Component Unit Column)	\$ 413,148	\$ 75,500
Investments (Discrete Component Unit Column)	<u>829,928</u>	<u>1,398,200</u>
Total Deposits and Investments (Discrete Component Unit Column)	\$ <u>1,243,076</u>	\$ <u>1,473,700</u>

Deposits and Investments for the Reporting Entity as a Whole:

Total Deposits and Investments

	<u>August 31, 2005</u>	<u>August 31, 2004</u>
Per Note 4:		
Primary Government	\$ 12,876,460	\$ 20,368,383
Component Unit: Navarro College Foundation, Inc.	<u>1,243,076</u>	<u>1,473,700</u>
Total	\$ <u>14,119,536</u>	\$ <u>21,842,083</u>

Per Exhibit 1

Cash and Temporary Investments	\$	11,889,608	\$	18,288,483
Investments		<u>2,229,928</u>		<u>3,553,600</u>
Total	\$	<u>14,119,536</u>	\$	<u>21,842,083</u>

5. DERIVATIVES

The College had no investments that were derivatives in 2005 or 2004.

6. CAPITAL ASSETS

The following tables summarize changes in fixed assets balances during the years ended August 31, 2005 and 2004:

	Balance at August 31, 2004	Additions	Retirements	Balance at August 31, 2005
Capital Assets not being depreciated:				
Land	\$ 1,552,731	\$ 409,028	\$ -	\$ 1,961,759
Museum and Arts Collections	434,339	-	-	434,339
Construction in Progress	2,409,423	11,846,241	(6,174,241)	8,081,423
Library material	1,104,090	54,181	-	1,158,271
Total Capital Assets not being depreciated	<u>5,500,583</u>	<u>12,309,450</u>	<u>(6,174,241)</u>	<u>11,635,792</u>
Other Capital Assets:				
Buildings	32,516,278	6,525,021	-	39,041,299
Improvements other than buildings	2,915,375	309,990	-	3,225,365
Furniture, fixtures, and equipment	<u>2,876,112</u>	<u>620,305</u>	<u>(72,289)</u>	<u>3,424,128</u>
Total Other Capital Assets	<u>38,307,765</u>	<u>7,455,316</u>	<u>(72,289)</u>	<u>45,690,792</u>
Less Accumulated Depreciation for:				
Buildings	(8,799,500)	(823,237)	-	(9,622,737)
Improvements other than buildings	(1,220,230)	(75,467)	-	(1,295,697)
Furniture, fixtures and equipment	<u>(1,452,860)</u>	<u>(294,754)</u>	<u>72,289</u>	<u>(1,675,325)</u>
Total Accumulated Depreciation	<u>(11,472,590)</u>	<u>(1,193,458)</u>	<u>72,289</u>	<u>(12,593,759)</u>
Other Capital Assets, Net	<u>26,835,175</u>	<u>6,261,858</u>	<u>-</u>	<u>33,097,033</u>
Capital Asset Summary:				
Capital Assets not being depreciated	5,500,583	12,309,450	(6,174,241)	11,635,792
Other Capital Assets	<u>38,307,765</u>	<u>7,455,316</u>	<u>(72,289)</u>	<u>45,690,792</u>
Total Cost of Capital Assets	43,808,348	19,764,766	(6,246,530)	57,326,584
Less Accumulated Depreciation	<u>(11,472,590)</u>	<u>(1,193,458)</u>	<u>72,289</u>	<u>(12,593,759)</u>
Capital Assets, Net	<u>\$ 32,335,758</u>	<u>\$ 18,571,308</u>	<u>\$ (6,174,241)</u>	<u>\$ 44,732,825</u>

	Balance at August 31, 2003	Additions	Retirements	Balance at August 31, 2004
Capital Assets not being depreciated:				
Land	\$ 1,470,695	\$ 82,036	\$ -	\$ 1,552,731
Museum and Arts Collections	434,339	-	-	434,339
Construction in Progress	145,432	2,264,447	(456)	2,409,423
Library material	1,053,737	50,353	-	1,104,090
Total Capital Assets not being depreciated	3,104,203	2,396,836	(456)	5,500,583
Other Capital Assets:				
Buildings	26,311,281	6,204,997	-	32,516,278
Improvements other than buildings	2,122,916	792,459	-	2,915,375
Furniture, fixtures, and equipment	1,923,311	1,100,972	(148,171)	2,876,112
Total Other Capital Assets	30,357,508	8,098,428	(148,171)	38,307,765
Less Accumulated Depreciation for:				
Buildings	(7,610,449)	(1,189,051)	-	(8,799,500)
Improvements other than buildings	(1,151,320)	(68,910)	-	(1,220,230)
Furniture, fixtures and equipment	(1,064,365)	(519,231)	130,736	(1,452,860)
Total Accumulated Depreciation	(9,826,134)	(1,777,192)	130,736	(11,472,590)
Other Capital Assets, Net	20,531,374	6,321,236	(17,435)	26,835,175
Capital Asset Summary:				
Capital Assets not being depreciated	3,104,203	2,396,836	(456)	5,500,583
Other Capital Assets	30,357,508	8,098,428	(148,171)	38,307,765
Total Cost of Capital Assets	33,461,711	10,495,264	(148,627)	43,808,348
Less Accumulated Depreciation	(9,826,134)	(1,777,192)	130,736	(11,472,590)
Capital Assets, Net	\$ 23,635,577	\$ 8,718,072	\$ (17,891)	\$ 32,335,758

The College will begin to depreciate library books in the next fiscal year. To facilitate the transition, the College has estimated its collection of library books to be valued at \$1,158,271. Based on a fifteen year useful life, that amount would indicate \$804,891 of accumulated depreciation and \$44,698 of depreciation expense for fiscal year 2005.

The following tables summarize changes in fixed assets balances during the years ended August 31, 2005 and 2004 for Discretely Presented Component Units (Navarro College Foundation, Inc.)

	Balance at August 31, 2004	Additions	Retirements	Balance at August 31, 2005
Capital Assets Not Being Depreciated:				
Museum and Arts collections	\$ 5,329,600	\$ 1,808,693	\$ -	\$ 7,138,293
Other Capital Assets:				
Building	2,094,984	-	(1,603,052)	491,932
Equipment	10,898	-	(10,898)	-
Total Other Capital Assets	2,105,882	-	(1,613,950)	491,932
Less Accumulated Depreciation for:				
Building	(626,497)	(19,677)	237,480	(408,694)
Other Capital Assets, Net	1,479,385	(19,677)	(1,376,470)	83,238
Capital Asset Summary:				
Capital Assets Not Being Depreciated	5,329,600	1,808,693	-	7,138,293
Other Capital Assets, at Cost	2,105,882	-	(1,613,950)	491,932
Total Cost of Capital Assets	7,435,482	1,808,693	(1,613,950)	7,630,225
Less Accumulated Depreciation	(626,497)	(19,677)	237,480	(408,694)
Capital Assets, Net	\$ 6,808,985	\$ 1,789,016	\$ (1,376,470)	\$ 7,221,531
	Balance at August 31, 2003	Additions	Retirements	Balance at August 31, 2004
Capital Assets Not Being Depreciated:				
Land	\$ 88,548	\$ -	\$ 88,548	\$ -
Construction in Progress	3,499,583	-	3,499,583	-
Museum and Arts collections	4,988,965	340,635	-	5,329,600
Total Capital Assets Not Being Depreciated	8,577,096	340,635	3,588,131	5,329,600
Other Capital Assets:				
Building	3,697,185	1,275,098	2,877,299	2,094,984
Equipment	984,372	10,898	984,372	10,898
Total Other Capital Assets	4,681,557	1,285,996	3,861,671	2,105,882

Less Accumulated Depreciation for:

Building	(1,281,241)	(32,795)	687,539	(626,497)
Equipment	<u>(349,093)</u>	<u>-</u>	<u>349,093</u>	<u>-</u>
Total Accumulated Depreciation	<u>(1,630,334)</u>	<u>(32,795)</u>	<u>1,036,632</u>	<u>(626,497)</u>
Other Capital Assets, Net	3,051,223	1,253,201	2,825,039	1,479,385

Capital Asset Summary:

Capital Assets Not Being Depreciated	8,577,096	340,635	3,588,131	5,329,600
Other Capital Assets, at Cost	<u>4,681,557</u>	<u>1,285,996</u>	<u>3,861,671</u>	<u>2,105,882</u>
Total Cost of Capital Assets	13,258,653	1,626,631	7,449,802	7,435,482
Less Accumulated Depreciation	<u>(1,630,334)</u>	<u>(32,795)</u>	<u>(1,036,632)</u>	<u>(626,497)</u>
Capital Assets, Net	<u>\$ 11,628,319</u>	<u>\$ 1,593,836</u>	<u>\$ 6,413,170</u>	<u>\$ 6,808,985</u>

During fiscal years 2005 and 2004 the Foundation donated assets totaling \$327,954 and \$5,969,479 less accumulated depreciation of \$237,480 and \$1,036,642, respectively, to the College. Each transfer was recorded as a retirement by the Foundation and an addition in the same amount by the College.

7. LONG-TERM LIABILITIES

Long-term liability activity for the years ended August 31, 2005 and 2004 was as follows:

	Beginning Balance August 31, 2004	Additions	Reductions	Ending Balance August 31, 2005	Amounts Due Within One Year
Governmental Bonds					
Revenue Bonds	\$ 20,715,000	\$ -	\$ (225,000)	\$ 20,490,000	\$ 300,000
Notes Payable	915,863	-	(222,770)	693,093	228,948
Capital Lease Obligations	<u>235,196</u>	<u>4,750,000</u>	<u>(127,417)</u>	<u>4,857,779</u>	<u>162,174</u>
Total Bonds and Notes Payable	21,866,059	4,750,000	(575,187)	26,040,872	691,122
Other Liabilities					
Compensated Absences	1,048,216	145,030	(65,313)	1,127,933	191,749
Claims and Judgments	<u>149,845</u>	<u>28,843</u>	<u>(38,384)</u>	<u>140,304</u>	<u>35,076</u>
Total Other Liabilities	<u>1,198,061</u>	<u>173,873</u>	<u>(103,697)</u>	<u>1,268,237</u>	<u>226,825</u>
Business Type Activities					
Long Term Liabilities	<u>\$ 23,064,120</u>	<u>\$ 4,923,873</u>	<u>\$ (678,884)</u>	<u>\$ 27,309,109</u>	<u>\$ 917,947</u>

	Beginning Balance August 31, 2003	Additions	Reductions	Ending Balance August 31, 2004	Due Within One Year
Governmental Bonds					
Revenue Bonds	\$ 20,715,000	\$ -	\$ -	\$ 20,715,000	\$ 225,000
Notes Payable	1,131,727	-	(215,864)	915,863	206,933
Capital Lease Obligations	<u>381,961</u>	<u>-</u>	<u>(146,765)</u>	<u>235,196</u>	<u>127,416</u>
Total Bonds and Notes Payable	22,228,688	-	(362,629)	21,866,059	559,349
Other Liabilities					
Compensated Absences	976,451	203,507	(131,742)	1,048,216	178,197
Claims and Judgments	<u>99,130</u>	<u>50,715</u>	<u>-</u>	<u>149,845</u>	<u>37,461</u>
Total Other Liabilities	<u>1,075,581</u>	<u>254,222</u>	<u>(131,742)</u>	<u>1,198,061</u>	<u>215,658</u>
Business Type Activities Long-Term					
Liabilities	<u>\$ 23,304,269</u>	<u>\$ 254,222</u>	<u>\$ (494,371)</u>	<u>\$ 23,064,120</u>	<u>\$ 775,007</u>

More detailed explanations about the details of payments on bonds, notes and capital leases are found in Notes 8 and 9. More detailed explanations on compensated absences and claims and judgments are found in Notes 15 and 19.

Long term liability activity for the years ended August 31, 2005 and 2004 for discretely presented component units (Navarro College Foundation, Inc.)

	Beginning Balance August 31, 2004	Additions	Reductions	Ending Balance August 31, 2005	Due Within One Year
Notes Payable	<u>\$ 752,313</u>	<u>\$ -</u>	<u>\$ (752,313)</u>	<u>\$ -</u>	<u>\$ -</u>

	Beginning Balance August 31, 2003	Additions	Reductions	Ending Balance August 31, 2004	Due Within One Year
Notes Payable	<u>\$ 1,022,163</u>	<u>\$ -</u>	<u>\$ (269,850)</u>	<u>\$ 752,313</u>	<u>\$ 58,223</u>

8. LONG TERM DEBT

A. Long-Term Debt Transactions

The following is a summary of long-term debt transactions during the years ended August 31, 2005 and 2004:

	<u>August 31, 2005</u>		
	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
General Long Term Debt At September 1, 2004	\$ 20,715,000	\$ 915,863	\$ 21,630,863
Debt Issued: Bonds Payable	-	-	-
Debt Retired: Bonds Payable	(225,000)	-	(225,000)
Notes Payable	-	(222,770)	(222,770)
General Long Term Debt At August 31, 2005	\$ <u>20,490,000</u>	\$ <u>693,093</u>	\$ <u>21,183,093</u>

	<u>August 31, 2004</u>		
	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
General Long Term Debt At September 1, 2003	\$ 20,715,000	\$ 1,131,727	\$ 21,846,727
Debt Issued: Bonds Payable	-	-	-
Debt Retired: Bonds Payable	-	-	-
Notes Payable	-	(215,864)	(215,864)
General Long Term Debt At August 31, 2004	\$ <u>20,715,000</u>	\$ <u>915,863</u>	\$ <u>21,630,863</u>

B. Long-Term Debt by Issue

General information related to bonds payable is summarized below.

2003 Bond Series:

- Navarro College District (Navarro College) Consolidated Fund Revenue and Refunding Bonds, Series 2003.
- To provide funds for acquiring, purchasing, constructing, improving, enlarging and equipping College facilities and to refund \$5,575,496 of Building Use Fee and Revenue Construction Bonds, Series 2001, 2000 and 1999.
- Issued March 13, 2003. The bonds bear interest at 2% to 5.375% and mature through 2028.
- All (\$20,715,000) authorized bonds have been issued.
- The 2001, 2000 and 1999 are considered fully defeased and the liability for those bonds has been removed from the Net Investment in Capital Assets.
- Advance refunding of the aforementioned bonds increased the College's debt service payments over the next eleven years by approximately \$373,556.
- Economic Gain --\$172,982 difference between the net present value of the old and new debt service payments.
- Accounting Gain --\$74,320 accounting gain was resulted from the advanced refunding.
- Source of revenue for debt service-the building use fee, the gross revenues of the dormitory system, the net revenues of the Student Union Building and Cafeteria, the net revenues of the housing system and the tuition pledge and any additional revenues, income, receipts or other resources which hereafter may be pledged to the payment of the outstanding bonds, new bonds or additional bonds.

General information related to notes payable is summarized below:

Cedar Creek Bank Note Payable:

- For the purpose of financing Navarro County Junior College District Miracle Drive Student Housing Construction.
- Issued April 24, 1997
- Amount of Issue - \$400,000
- Payable in semi-annual installments over a ten year period at 5% interest.

Corsicana National Bank Note Payable:

- For the purpose of purchasing the Ag Tech Building. Renewal of loan.
- Issued March 4, 1996
- Amount of Issue-\$750,000
- Payable in semi-annual regular installments over a four year period with an irregular last payment at 5.45% interest.

Bank One Texas N.A. Note Payable:

- For the purpose of assuming a note on purchase of Ellis Center from Navarro College Foundation, Inc.
- Issued March 26, 1998
- Amount of Issue - \$565,851
- Payable in monthly installments over a fourteen year period at variable interest.

Navarro College Scholarship Fund Note Payable:

- For the purpose of constructing an additional housing unit on campus (Miracle #14)
- Issued February 1, 2002
- Amount of Issue-\$350,000
- Payable in ten annual installments at a variable interest rate comparable to the note investments in the Scholarship Fund are earning annually (currently 4%).

C. Future Long-Term Debt Maturities

Debt Service Requirements-Bonds Payable

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 300,000	\$ 952,620	\$ 1,252,620
2007	575,000	946,620	1,521,620
2008	590,000	932,820	1,522,820
2009	610,000	915,120	1,525,120
2010	630,000	895,600	1,525,600
2011-2015	3,520,000	4,096,238	7,616,238
2016-2020	4,420,000	3,197,469	7,617,469
2021-2025	5,700,000	1,923,113	7,623,113
2026-2030	<u>4,145,000</u>	<u>421,250</u>	<u>4,566,250</u>
	<u>\$ 20,490,000</u>	<u>\$ 14,280,850</u>	<u>\$ 34,770,850</u>

Debt service requirements – Notes Payable

Year Ending August 31,	Principal	Interest	Total
2006	\$ 228,948	\$ 32,935	\$ 261,883
2007	132,072	23,127	155,199
2008	87,076	17,303	104,379
2009	90,288	13,893	104,181
2010	84,709	13,456	98,165
2011-2015	<u>70,000</u>	<u>19,600</u>	<u>89,600</u>
	<u>\$ 693,093</u>	<u>\$ 120,314</u>	<u>\$ 813,407</u>

Summary – Debt Service Requirements

Year Ending August 31,	Principal	Interest	Total Debt Service Requirement
2006	\$ 528,948	\$ 985,555	\$ 1,514,503
2007	707,072	969,747	1,676,819
2008	677,076	950,123	1,627,199
2009	700,288	929,013	1,629,301
2010	714,709	909,056	1,623,765
2011-2015	3,590,000	4,115,838	7,705,838
2016-2020	4,420,000	3,197,469	7,617,469
2021-2025	5,700,000	1,923,113	7,623,113
2026-2030	<u>4,145,000</u>	<u>421,250</u>	<u>4,566,250</u>
	<u>\$ 21,183,093</u>	<u>\$ 14,401,164</u>	<u>\$ 35,584,257</u>

9. CAPITAL LEASE OBLIGATIONS

Certain leases to finance a telephone and internet access system and the Midlothian campus buildings are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such property under capital leases as of August 31, 2005 and 2004 is as follows:

Class of Property	2005	2004
Equipment	\$ 283,860	\$ 507,733
Construction in Progress –Midlothian Campus	\$ 4,750,000	\$ -

The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at August 31, 2005:

Minimum Lease Payments

	2006	\$	379,067
	2007		371,911
	2008		318,125
	2009		317,375
	2010		316,375
	2011-2015		1,599,875
	2016-2020		1,621,210
	2021-2025		1,689,800
	2026-2030		<u>1,385,625</u>
Total Minimum Lease Payments			7,999,363
	Less Interest		<u>(3,141,584)</u>
Present Value of Net Minimum Lease Payments	\$		<u><u>4,857,779</u></u>

10. DEFEASED BONDS OUTSTANDING

In fiscal year 2003 the College legally defeased certain bonds totaling \$5,075,496 by placing proceeds of refunding bond issues in escrow to provide for all future debt service payments on the refunded bonds. Accordingly, the escrowed account assets and the liability for the defeased bonds are not included in the College's financial statements. As of August 31, 2005 and 2004, defeased debt outstanding was as follows:

	<u>August 31,</u> <u>2005</u>	<u>August 31,</u> <u>2004</u>
1999 Bond Series	\$ 290,827	\$ 356,595
2000 Bond Series	2,315,000	2,715,000
2001 Bond Series	<u>1,099,000</u>	<u>1,302,000</u>
	<u>\$ 3,704,807</u>	<u>\$ 4,373,595</u>

11. NET ASSETS

Ending net assets balances at August 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Current funds:		
Fund balance, unrestricted	\$ 1,996,710	\$ 2,407,949
Fund balance, auxiliary enterprises	1,741,882	1,960,365
Fund balance, restricted	<u>150,239</u>	<u>134,475</u>
Total, current fund balance	3,888,831	4,502,789
Fund balance, loan funds	108,952	151,966
Fund balance, endowment and similar funds	3,023,625	3,060,037
Fund balance, plant funds	<u>21,592,309</u>	<u>20,707,351</u>
Total fund balance, primary government	\$ <u><u>28,613,717</u></u>	\$ <u><u>28,422,143</u></u>
Total fund balance, discrete component unit	\$ <u><u>9,413,502</u></u>	\$ <u><u>7,951,328</u></u>

12. COMPLIANCE AND ACCOUNTABILITY

In accordance with GASB Statement No. 38, "Certain Financial Statement Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

Funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits are reported below:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

13. EMPLOYEE RETIREMENT PLANS

The College has employee retirement plans as follows:

- A. Defined Benefit Pension Plan which consists of either the Teacher Retirement System of Texas or certain employees (Faculty and Administrative Staff) have the option of not participating in the Teacher Retirement System and instead, participating in an Optional Retirement Program.
- B. A Contributory Pension Plan for all full-time College personnel.

	August 31, 2005	August 31, 2004	August 31, 2003
Total Payroll	\$ 15,003,642	\$ 10,973,520	\$ 10,078,810
Payroll participating in the Teacher Retirement System	\$ 7,491,251	\$ 6,870,459	\$ 6,052,945
Payroll participating in the Optional Retirement System	\$ 3,394,766	\$ 3,274,214	\$ 1,416,135
Payroll participating in the Contributory Ret. Pension Plan	\$ 7,412,661	\$ 7,118,839	\$ 7,075,987

The State of Texas (the "State") has joint contributory retirement plans for almost all of its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas ("TRS" or the "System"), a cost sharing multi-employer defined benefit public employee retirement system (PERS). The percentages of participant salaries currently contributed by the state and by each participant are 6.0% and 6.4% respectively, of annual compensation. The TRS has financial statements available for August 31, 2005, 2004 and 2003 on their website at www.trs.state.us.tx.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The employee and the state rates are set by the statute. The State of Texas contribution rate is 6.00% and the employee contribution rate is 6.65%. Navarro College contributes an additional 1.19% for those employed prior to September 1, 1991 and 1.31% for those employed after September 1, 1991, but prior to September 1, 1995. The contribution requirements for the years ended August 31, 2005, 2004 and 2003 were \$476,209, \$461,186 and \$489,019 which consisted of \$189,946, \$183,148 and \$192,815 from the State, \$225,752, \$217,735 and \$229,475 from the employees, \$44,426, \$44,778 and \$50,349 from the College, and \$16,085, \$15,525 and \$16,380 from federal grants. Since these are individual annuity contracts, the State and the College have no additional or unfunded liability for this program.

14. VOLUNTARY CONTRIBUTORY PENSION PLAN

The College adopted a contributory pension plan for all full time College personnel who have completed one full year of service, have attained age 21 and are actively employed on the last day of the plan year. In order to participate, the employee must agree to contribute 5% of the total compensation to the plan. The College then contributes 8% of the total compensation to the plan. The employee is 100% vested in their contributions to the plan at all times.

The employees are vested in the contributions by the College as follows:

<u>Full Years of Participation</u>	<u>Vested Percent</u>
Less than 1 year	0%
1 year but less than 2	20%
2 years but less than 3	40%
3 years but less than 4	60%
4 years but less than 5	80%
5 years or more	100%

Administrative expenses for this plan for 2005, 2004 and 2003 amounted to \$57,826, \$54,814 and \$55,638 and were paid by the College. There is no additional or unfunded liability for this plan.

<u>Contributions Required and Paid By</u>	<u>8/31/2005</u>	<u>8/31/2004</u>	<u>8/31/2003</u>	<u>8/31/2005 Percentage of Covered Payroll</u>	<u>8/31/2004 Percentage of Covered Payroll</u>	<u>8/31/2003 Percentage of Covered Payroll</u>
Employees	\$ 372,152	\$ 367,257	\$ 358,579	5%	5%	5%
Navarro College	595,149	558,212	573,724	8%	8%	8%
Total	\$ 967,301	\$ 925,469	\$ 932,303	13%	13%	13%
Total Payroll	\$ 15,003,642	\$ 10,973,520	\$ 10,078,810			
Covered Payroll	\$ 7,412,661	\$ 7,118,839	\$ 7,075,987			

15. COMPENSATED ABSENCES

All full-time administrative personnel and support staff accumulate vacation on the basis of 80 hours per year during the first 5 years and after the 5th anniversary, 120 hours per year. A maximum of 160 hours may be accumulated. As of August 31, 2005 and 2004, the College had \$243,061 and \$199,480, respectively, in accrued vacation pay, which is recorded on these financial statements. Faculty does not accumulate vacation.

All full time personnel accumulate sick pay at the rate of 8 hours per month. This accumulates up to 60 days maximum. Employees who terminate their employment are entitled to partial payment for accumulated sick pay after they have more than five year service at Navarro College. Employees are entitled to full payment for sick leave after ten years of service. The College has vested sick leave benefits at August 31, 2005 and 2004, in the amount of \$867,919 and \$829,265, respectively and compensatory time at August 31, 2005 and 2004 of \$16,953 and \$19,471, respectively. The total accrued compensated absences at August 31, 2005 and 2004 were \$1,127,933 and \$1,048,216 respectively. The College's policy is to recognize the cost of non-vested sick leave when paid.

16. COMMITMENTS

As of August 31, 2005 and 2004, Navarro College had no commitments not otherwise disclosed in these financial statements.

17. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

Included in operating expenses are rental payments of \$31,000 for 2005 and \$33,235 for 2004. The College has no lease commitments with non-cancelable lease terms in excess of one year.

18. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA's Industry Audit Guide, Audits of Colleges and Universities. Funds received but not expensed during the reporting period, are shown as additions to deferred revenues. Revenues are recognized as funds are actually expensed. For federal contract and grant awards, funds expensed, but not collected, are reported as Accounts Receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expensed, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

19. RISK MANAGEMENT

The College 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. On September 1, 1991, the College entered into an agreement with the Community Colleges of Texas Worker's Compensation Association for the administration of a self-funded worker's compensation plan as defined in the Texas Worker's Compensation Act, along with other member Colleges. The College pays an administrative fee based on total payroll costs multiplied by an experience modifier. The service agreement provides that the association will be self-sustaining through member premiums. The plan administrator will provide for excess insurance.

Liabilities are reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported based on prior experience. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Summary of workers' compensation liability:

	August 31, 2005	August 31, 2004
Balance of claims outstanding September 1	\$ 149,845	\$ 126,593
Claims incurred during the year and allowance for unreported claims for the year	28,843	57,212
Payments on claims during the year	<u>(38,384)</u>	<u>(33,960)</u>
Balance of claims outstanding at August 31	\$ <u>140,304</u>	\$ <u>149,845</u>

The College has accrued \$140,304 and \$149,845 for worker's compensation liability at August 31, 2005 and 2004, respectively, which represents the minimum amount to be encumbered.

The fixed cost for the College for August 31, 2005 and 2004 was \$40,074 and \$39,371, respectively, and the loss fund maximum was \$112,436 and \$35,197.

The College continues to carry commercial insurance for all other risk of loss. The fleet liability coverage decreased in fiscal year 2005 due to insurance company limitations imposed after an accident that occurred in fiscal year 2004. No other decreases in coverage were noted.

20. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits as described in Note 13, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. Currently, the College has 53 participants receiving post retirement benefits.

The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employees was \$316 to \$616, based on dependent status, per month for the years ended August 31, 2005 and 2004 totaled \$1,028,193 and \$1,066,702, respectively. The cost for providing those benefits for retirees who were not eligible for state coverage was \$45,978 and \$24,791.

21. COMPONENT UNIT-NAVARRO COLLEGE FOUNDATION, INC.

The Foundation is a nonprofit organization, exempt from income tax under Internal Revenue Code Section 501(c)(3), with the purpose of supporting the educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. During the fiscal years ended August 31, 2005 and 2004 the College furnished certain services such as office space, utilities and some staff assistance to the Foundation.

A College/Foundation management agreement amendment dated September 1, 2003 with terms continuing through December 31, 2018 stipulates that as a condition to the conveyance of the Cook Center and Pearce Collections Museum to the College, the College will provide certain benefits including office space and salaries for the Foundation's Executive Director and secretary, certain insurance coverage, and the use of the Pearce Collections Museum to display the Civil war documents and western art owned by the Foundation. Subsequent extension or renewal of terms may be executed with approval of representatives of both parties authorized by the respective governing bodies.

The Navarro College Foundation Board appoints all directors of the Foundation. One member of the Board of Trustees of Navarro College also serves on the Board of Directors of Navarro College Foundation, Inc.

During the years ended August 31, 2005 and 2004 the College leased the following from the Foundation:

	<u>2005</u>		<u>2004</u>
Student Housing on Corsicana Campus	\$ 77,600	\$	97,000

The Foundation remitted gifts of property and cash in the amounts of \$90,474 and \$4,932,837 in 2005 and 2004 respectively to Navarro College.

22. PROPERTY TAX

Property is appraised and a lien on such property becomes enforceable as of February 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are levied by October 1 of the year in which assessed, or as soon thereafter as practicable. Taxes are due and payable, without penalty or interest, from October 1 of the year in which levied until January 31 of the following year.

Taxes become delinquent February 1 of each year and are subject to simple interest and penalty of 7% in February, 9% in March, 11% in April, 13% in May, 15% in June, 18% in July and interest continues to accrue at 1% per month.

	<u>August 31, 2005</u>	<u>August 31, 2004</u>
Assessed Valuation of the College	\$ 1,726,100,913	\$ 1,645,733,535
Less: Exemptions	58,122,549	57,323,694
Less: Abatements	<u>43,116,370</u>	<u>34,386,980</u>
Net Assessed Valuation of the College	<u>\$ 1,624,861,994</u>	<u>\$ 1,554,022,861</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax Rate Per \$100 Valuation for Authorized	\$ 0.50	\$ 0.50	\$ 1.00
Tax Rate Per \$100 Valuation for Assessed	\$ 0.1405	\$ -	\$ 0.1405

Taxes levied for the years ended August 31, 2005 and 2004 were \$2,282,931 and \$2,183,412 respectively (which includes any penalty and interest assessed if applicable).

August 31, 2005

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Taxes Collected			
Current Taxes Collected	\$ 2,191,308	\$ -	\$ 2,191,308
Delinquent Taxes Collected	96,702	-	96,702
Penalties and Interest Collected	34,464	-	34,464
Change in Taxes Receivable	<u>(20,104)</u>	-	<u>(20,104)</u>
Total Collections	<u>\$ 2,302,370</u>	<u>\$ -</u>	<u>\$ 2,302,370</u>

August 31, 2004

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Taxes Collected			
Current Taxes Collected	\$ 2,082,706	\$ -	\$ 2,082,706
Delinquent Taxes Collected	232,101	-	232,101
Penalties and Interest Collected	76,646	-	76,646
Change in Taxes Receivable	<u>(95,566)</u>	-	<u>(95,566)</u>
Total Collections	<u>\$ 2,295,887</u>	<u>\$ -</u>	<u>\$ 2,295,887</u>

Tax collections for the years ended August 31, 2005 and 2004 were 96% of the current tax levy. The College records an allowance for uncollectible taxes based upon historical experience in collecting property taxes. The allowance for fiscal year 2005 and 2004 was \$28,883 and \$31,117, respectively. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

23. INTERFUND BORROWING

All interfund borrowing has been eliminated from these financial statements in accordance with GASB No 34.

24. DEFERRED REVENUES

Revenues, primarily consisting of tuition, fees, and housing charges, related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year.

25. BUDGETARY DATA

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

26. DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The College does not have a deferred compensation plan.

27. TUITION & FEES RECEIVABLE

The accounts receivable of \$3,369,295 and \$3,492,545 at August 31, 2005 and 2004, respectively, includes receivables from students in the amounts of \$401,247 and \$887,456 at August 31, 2005 and 2004, respectively, and is recorded in deferred revenue since it pertains to future periods. The remaining accounts receivable of \$2,968,048 and \$2,605,089 at August 31, 2005 and 2004, respectively, is due from other governments.

28. PENDING LAWSUITS AND CLAIMS

As of August 31, 2005 and 2004, Navarro College had various claims pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

29. CONTINGENCIES

The College participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. These financial statements do not contain any liability for reimbursement which may arise as a result of these audits. In the opinion of the College's management, such reimbursement would not be significant to the College's financial statements.

The College participates in the Federal Family Education Loan Program (the "loan program"), which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate Students. The loan program does not require the College to disburse cash, as the loans are made by various lenders and not the College; however, the College is required to perform certain administrative functions under the loan program. Total loans made by the lenders during fiscal years 2005 and 2004 were approximately \$9,857,177 and \$5,855,629, respectively.

HUDSON ANDERSON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

119 NORTH MAIN
CORNICANA, TEXAS 75110
(903) 872-2571
FAX (903) 874-1413

HUDSON ANDERSON, CPA

FRANK MARX III, CPA

Independent Auditors' Report

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

Board of Trustees
Navarro College
Corsicana, Texas

Members of the Board:

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Navarro College as of and for the years ended August 31, 2005 and 2004, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Navarro College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws (including the Texas Public Funds Investment Act), regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

We have performed a compliance audit of the Navarro College's adherence to the requirements of the Public Funds Investment Act. During the years ended August 31, 2005 and 2004, Navarro College was in compliance with all respects with the requirements of the Public Funds Investment Act.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Navarro College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

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

Hudson Anderson & Associates, P.C.

Hudson Anderson & Associates, P.C.
November 1, 2005

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Independent Auditors' Report

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

Board of Trustees
Navarro College
Corsicana, Texas

Members of the Board:

Compliance

We have audited the compliance of Navarro College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the State of Texas *Single Audit Circular*, respectively, that are applicable to each of its major federal programs for the years ended August 31, 2005 and 2004. Navarro College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Navarro College's management. Our responsibility is to express an opinion on Navarro College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Single Audit Circular*, (SAC). Those standards, OMB Circular A-133 and the SAC 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 program occurred. An audit includes examining, on a test basis, evidence about Navarro College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Navarro College's compliance with those requirements.

In our opinion, Navarro College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended August 31, 2005 and 2004.

Internal Control Over Compliance

The management of Navarro College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Navarro College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

Hudson Anderson & Associates, P.C.

Hudson Anderson & Associates, P.C.
November 1, 2005

SUPPLEMENTARY SCHEDULES

Navarro College
Schedule of Operating Revenues
For the Year Ended August 31, 2005

Schedule A

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>August 31, 2005 Total (Exhibit 2)</u>	<u>August 31, 2004 Total Memorandum Only</u>
Tuition						
State Funded Courses						
In-district resident tuition	\$ 836,576	\$ -	\$ 836,576	\$ -	\$ 836,576	\$ 677,612
Out-of-district resident tuition	2,793,215	-	2,793,215	-	2,793,215	2,032,792
Non-resident tuition	949,292	-	949,292	-	949,292	968,309
TPEG-credit (set aside)*	232,077	-	232,077	-	232,077	180,352
TPEG-noncredit (set aside)*	24,856	-	24,856	-	24,856	23,247
Total Tuition	4,836,016	-	4,836,016	-	4,836,016	3,882,312
Fees						
Building use fees	1,586,781	-	1,586,781	-	1,586,781	1,206,054
General fees	-	-	-	-	-	302,409
Student services fees	327,024	-	327,024	-	327,024	390,269
Lab fees	228,699	-	228,699	-	228,699	207,811
Out-of-district fees	2,358,743	-	2,358,743	-	2,358,743	2,063,395
Other fees	214,506	-	214,506	-	214,506	170,085
Total fees	4,715,753	-	4,715,753	-	4,715,753	4,340,023
Scholarship allowances and discounts						
Scholarship allowances	(3,785,396)	-	(3,785,396)	-	(3,785,396)	(3,955,010)
TPEG allowances	(321,759)	-	(321,759)	-	(321,759)	(183,283)
Total scholarship allowances	(4,107,155)	-	(4,107,155)	-	(4,107,155)	(4,138,293)
Total net tuition and fees	5,444,614	-	5,444,614	-	5,444,614	4,084,042
Additional operating revenues						
Federal grants and contracts	-	9,382,723	9,382,723	-	9,382,723	9,200,485
State grants and contracts	-	154,180	154,180	-	154,180	123,677
Non-governmental grants and contracts	-	10,923,625	10,923,625	-	10,923,625	8,198,740
Sales and services of educational activities	263,133	-	263,133	-	263,133	259,937
Other operating revenues	277,140	-	277,140	-	277,140	185,027
Total additional operating revenues	540,273	20,460,528	21,000,801	-	21,000,801	17,967,866
Auxiliary enterprises						
Bookstore	-	-	-	2,061,583	2,061,583	1,793,982
Dining Service	-	-	-	712,835	712,835	387,488
Housing	-	-	-	391,085	391,085	317,777
Athletic Sales and Student Programs	-	-	-	68,108	68,108	94,868
Deli Sales	-	-	-	130,724	130,724	143,824
Gift Shop	-	-	-	38,113	38,113	46,334
Total net auxiliary enterprises	-	-	-	3,402,448	3,402,448	2,784,283
Total Operating Revenues (Exhibit 2)	\$ 5,984,887	\$ 20,460,528	\$ 26,445,415	\$ 3,402,448	\$ 29,847,863	\$ 24,836,191

*In accordance with Education Code 56.033, \$256,933 and \$203,599 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2005 and 2004.

Navarro College
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2005

Schedule B

	<u>Operating Expenses</u>				<u>August 31, 2005</u> <u>Total</u> <u>(Exhibit 2)</u>	<u>August 31, 2004</u> <u>Total</u> <u>Memorandum</u> <u>Only</u>
	<u>Salaries</u> <u>& Wages</u>	<u>Benefits</u>		<u>Other</u> <u>Expenses</u>		
		<u>State</u> <u>Benefits</u>	<u>Local</u> <u>Benefits</u>			
Unrestricted-Educational Activities						
Instruction	\$ 8,317,860	\$ -	\$ 1,057,227	\$ 796,406	\$ 10,171,493	\$ 9,180,171
Public Service	15,276	-	1,942	3,001	20,219	17,746
Academic Support	1,283,654	-	163,157	301,559	1,748,370	1,651,040
Student Services	988,588	-	125,653	399,495	1,513,736	1,431,898
Institutional Support	1,621,389	-	206,084	1,132,314	2,959,787	2,710,385
Operation and Maintenance of Plant	517,956	-	65,833	1,872,498	2,456,287	2,096,174
Total Unrestricted Educational Activities	12,744,723	-	1,619,896	4,505,273	18,869,892	17,087,414
Restricted-Educational Activities						
Instruction	875,274	795,021	171,276	720,763	2,562,334	2,441,549
Public Service	-	1,460	-	-	1,460	1,595
Academic Support	-	122,691	-	-	122,691	103,698
Student Services	-	94,489	-	-	94,489	100,798
Institutional Support	-	154,972	-	-	154,972	160,031
Operation and Maintenance of Plant	-	49,506	-	-	49,506	138,812
Scholarships and Fellowships	-	-	-	14,958,366	14,958,366	11,879,182
Total Restricted Educational Activities	875,274	1,218,139	171,276	15,679,129	17,943,818	14,825,665
Total Educational Activities	13,619,997	1,218,139	1,791,172	20,184,402	36,813,710	31,913,079
Auxiliary Enterprises	1,091,549	-	179,963	2,483,259	3,754,771	2,889,154
Depreciation Exp.-Buildings/Improvements	-	-	-	661,224	661,224	570,421
Depreciation Exp.-Equipment/Furniture	-	-	-	294,754	294,754	170,129
Amortization of bond premium costs	-	-	-	15,134	15,134	15,134
Total	\$ 14,711,546	\$ 1,218,139	\$ 1,971,135	\$ 23,638,773	\$ 41,539,593	\$ 35,557,917

NAVARRO COLLEGE
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2005

Schedule C

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>August 31, 2005 Total</u>	<u>August 31, 2004 Total</u>
NON-OPERATING REVENUES:					
State Allocations					
Education and general state support	\$ 8,903,256	\$ -	\$ -	\$ 8,903,256	\$ 8,903,402
State group insurance	-	1,028,193	-	1,028,193	1,066,702
State retirement matching	-	189,946	-	189,946	183,148
Total State Allocations	<u>8,903,256</u>	<u>1,218,139</u>	<u>-</u>	<u>10,121,395</u>	<u>10,153,252</u>
Maintenance ad valorem taxes	2,302,370	-	-	2,302,370	2,295,887
Gifts	-	-	-	-	200,000
Donation from Navarro College Foundation, Inc.	-	90,474	-	90,474	4,932,837
Investment income	89,114	253,253	28,963	371,330	376,719
Other non-operating income	-	87,452	-	87,452	-
Gain (loss) on disposal of assets	-	-	-	-	<u>132,566</u>
Total non-operating revenues	<u>11,294,740</u>	<u>1,649,318</u>	<u>28,963</u>	<u>12,973,021</u>	<u>18,091,261</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	132,831	955,789	-	1,088,620	1,138,216
Other non-operating expense	-	1,097	-	1,097	300
Total non-operating expenses	<u>132,831</u>	<u>956,886</u>	<u>-</u>	<u>1,089,717</u>	<u>1,138,516</u>
Net non-operating revenues	<u>\$ 11,161,909</u>	<u>\$ 692,432</u>	<u>\$ 28,963</u>	<u>\$ 11,883,304</u>	<u>\$ 16,952,745</u>

NAVARRO COLLEGE
Schedule of Net Assets by Source and Availability
For the Year Ended August 31, 2005

Schedule D

	Detail by Source					Avail. for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total (Exhibit 1)	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 1,583,362	\$ -	\$ -	\$ -	\$ 1,583,362	\$ 1,583,362	\$ -
Auxiliary Enterprises	1,741,882	-	-	-	1,741,882	1,741,882	-
Loan	108,952	-	-	-	108,952	-	108,952
Scholarships	-	3,023,625	-	-	3,023,625	-	3,023,625
Plant:							
Unexpended	413,348	-	-	-	413,348	-	413,348
Debt Service	-	150,239	-	-	150,239	-	150,239
Investment in Plant	-	-	-	21,592,309	21,592,309	-	21,592,309
Total Net Assets, August 31, 2005	3,847,544	3,173,864	-	21,592,309	28,613,717	3,325,244	25,288,473
Total Net Assets, August 31, 2004	4,520,280	3,194,512	-	20,707,351	28,422,143		
Net Increase (decrease) in Net Assets	\$ (672,736)	\$ (20,648)	\$ -	\$ 884,958	\$ 191,574	\$ 3,325,244	\$ 25,288,473

NAVARRO COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2005

Schedule E

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Pass Through Disbursements</u>
U.S. Department of Education			
Direct Programs:			
SEOG	84.007		\$ 117,529
Federal College Workstudy Program	84.033		204,283
Student Support Services	84.042A		350,817
Federal Pell Grant	84.063		7,456,428
Pass-Through From:			
Texas Education Agency			
Adult Basic Education	84.002A		337,031
Adult Basic Education-Corrections	84.002A		-
			<u>337,031</u>
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	44231	448,657
Dallas County Community College District			
Carl Perkins Technical	84.243		<u>259,018</u>
Total Department of Education			9,173,763
U.S. Department of Labor			
Pass-Through From:			
North Central Council of Governments			
First Generation College Student Initiative	17.259	FY06-FGCS-01	59,609
North Central Texas Employee Development Fund	17.260	FY05-NCTEDF-07	10,046
North Central Texas Employee Development Fund	17.258	FY05-NCTEDF-07	3,348
North Central Texas Skills Development Fund/ CVS Pharmacy	17.260		<u>65,678</u>
			138,681
U.S. Small Business Administration			
Pass-Through From:			
Small Business Development Center			
Dallas County Community College District	59.037		54,270
U.S. Department of Health and Human Services			
Pass-Through From:			
Texas Education Agency			
Temporary Assistance for Needy Families	93.558		<u>16,009</u>
Total Federal Financial Assistance			<u>\$ 9,382,723</u>

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue-per Schedule A	<u>\$ 9,382,723</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 9,382,723</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Student Loans Processed and Administrative Costs Recovered

<u>Federal Grantor CFDA Number/Program Name</u>	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total Loans Processed & Admin Cost Recovered</u>
U.S. Department of Education 84.268 Direct Loans	\$ <u>9,857,177</u>	\$ <u>-</u>	\$ <u>9,857,177</u>

NAVARRO COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2005

Schedule F

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
Texas Higher Education Coordinating Board		
Go Center	17.267	\$ 10,000
Texas College Work Study		<u>23,192</u>
		33,192
Texas Education Agency		
Adult Basic Education	401000132112025	80,196
Adult Basic Education-Temporary Assistance for Needy Families	40110017111022	<u>12,570</u>
		92,766
Dallas County Community College District		
Small Business Development Center	59.037	<u>28,222</u>
Total State Financial Assistance		<u>\$ 154,180</u>

Note 1: State Assistance Reconciliation

State Grants and Contracts Revenue-per Schedule A	\$ <u>154,180</u>
Total State Revenues per Schedule of Expenditures of State Awards	\$ <u>154,180</u>

Note 2: Significant Account Policies Used In Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the Navarro College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

NAVARRO COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2005

Section I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditors' report issued on compliance for major program: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510 (a) of Circular A-133 _____ Yes X No

The dollar threshold used to distinguish between Type A and Type B programs, as described in Section .520 (b), is \$500,000.

The College qualified as a "low risk" auditee under Section .530.

NAVARRO COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2005

Section I. Summary of Auditors' Results (continued):

The major federal programs are as follows:

<u>Program:</u>	<u>CFDA Number:</u>
Student Support Services	84.042A
<i>Student Financial Assistance Cluster:</i>	
SEOG	84.007
Federal Workstudy Program	84.033
Federal Pell Grant	84.063
Federal Direct Loan Program	84.268

Section II. Financial Statement Findings:

There were no findings relating to the basic financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III. Federal and State Award Findings and Questioned Costs:

There were no major findings or questioned costs for federal and state awards for the year ended August 31, 2005.

NAVARRO COLLEGE

**Corrective Action Plan for Audit Findings and Questioned Costs
For the Year Ended August 31, 2005**

There was no corrective action plan needed by the College since there were no findings and questioned costs.

NAVARRO COLLEGE
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2005

Prior Audit Findings:

None Reported

STATISTICAL SECTION

NAVARRO COLLEGE
General Operating Expenditures by Elements of Institutional Costs
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
1995-96	5,682,656	-	339,021	1,166,921	1,413,523	1,640,140
1996-97	6,546,153	-	181,170	1,005,122	1,286,988	1,307,703
1997-98	6,207,151	-	114,838	968,081	1,136,679	2,966,725
1998-99	8,120,710	133,964	83,388	433,012	1,409,266	1,857,890
1999-00	7,676,988	-	7,888	1,678,484	872,258	1,933,990
2000-01	8,381,421	-	12,932	1,714,576	1,398,412	2,272,152
2001-02 *	9,631,145	-	113,734	2,437,694	1,694,395	2,494,828
2002-03	8,894,156	-	16,055	1,909,563	1,617,499	2,523,883
2003-04	11,621,720	-	19,341	1,754,738	1,532,696	2,870,416
2004-05	12,733,827	-	21,679	1,871,061	1,608,225	3,114,759

* Transition year for GASB 34/35 implementation, therefore, prior years will not be comparable.

Table 1

Operation & Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	General Obligation Debt Service	Totals
1,471,914	437,974	2,870,528	410,000	15,432,677
1,467,784	449,047	3,037,822	415,000	15,696,789
1,477,545	2,369,235	2,996,299	445,000	18,681,553
1,466,617	2,632,484	3,521,107	470,000	20,128,438
1,569,707	2,573,205	5,218,746	535,029	22,066,295
1,855,970	3,707,887	4,532,901	576,100	24,452,351
2,054,046	1,729,489	3,556,582	603,375	24,315,288
2,012,156	10,178,062	2,739,947	500,000	30,391,322
2,234,986	11,879,182	2,889,154	-	34,802,233
2,505,793	14,958,366	3,754,771	225,000	40,793,481

NAVARRO COLLEGE
Operating Revenues by Source
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>State Appropriations</u>	<u>Local Funds</u>		<u>Grants and Contracts</u>
		<u>Tuition (1)</u>	<u>Taxes for Current Operations (1)</u>	
1995-96	6,691,588	3,171,463	1,288,933	1,248,646
1996-97	6,509,673	3,633,855	1,317,884	1,234,998
1997-98	7,572,221	3,679,218	1,364,240	3,359,447
1998-99	7,834,241	3,744,546	1,413,751	3,851,437
1999-00	8,014,405	4,113,439	1,570,407	3,325,667
2000-01	8,468,925	4,730,119	1,938,822	5,304,013
2001-02	10,901,088	5,432,867	2,013,756	5,649,385
2002-03	9,900,296	6,679,735	2,077,465	13,736,062
2003-04	10,153,252	8,039,052	2,295,887	17,522,902
2004-05	10,121,395	9,230,010	2,302,370	20,460,528

(1) This Schedule not prepared according to GASB 34/35 (implemented in FY 2002) in order to provide

Table 2

Investment Income (1)	Miscellaneous	Sales from Auxiliary Enterprises (1)	Total
466,102	245,732	2,538,033	15,650,497
281,632	353,925	2,963,404	16,295,371
299,503	220,799	2,972,488	19,467,916
342,317	206,416	3,347,878	20,740,586
127,096	325,997	4,690,735	22,167,746
133,938	289,866	4,262,153	25,127,836
121,085	191,774	4,862,839	29,172,794
113,041	318,205	5,385,524	38,210,328
116,391	444,964	6,020,202	44,592,650
371,330	539,823	6,499,590	49,525,046

comparative statistics for a ten year period.

Table 3

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Levy Collected	Delinquent Tax Collections (a)	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
1995-96	1,338,535	1,225,654	91.57%	93,218	1,318,872	98.53%
1996-97	1,393,274	1,245,588	89.40%	116,681	1,362,269	97.77%
1997-98	1,450,923	1,278,564	88.12%	105,914	1,384,478	95.42%
1998-99	1,434,123	1,318,481	91.94%	95,270	1,413,751	98.58%
1999-00	1,548,949	1,438,154	92.85%	110,795	1,548,949	100.00%
2000-01	1,921,367	1,828,175	95.15%	120,263	1,948,438	101.41%
2001-02	2,011,112	1,816,406	90.32%	121,623	1,938,029	96.37%
2002-03	2,011,112	1,929,073	95.92%	148,553	2,077,626	103.31%
2003-04	2,182,617	2,082,706	95.42%	237,556	2,320,262	106.31%
2004-05	2,282,931	2,191,308	95.99%	96,702	2,302,370	100.85%

(a) Includes penalties and interest collected

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

Governmental Subdivision	Tax Year 1995	Tax Year 1996	Tax Year 1997	Tax Year 1998	Tax Year 1999
Navarro College	0.1200	0.1200	0.1218	0.1218	0.1218
COUNTY-WIDE:					
Navarro County	0.4631	0.5000	0.5058	0.5496	0.5496
CITIES:					
Barry	0.3274	0.3359	0.3401	0.3401	0.3401
Blooming Grove	0.4254	0.4254	0.4305	0.4300	0.4300
Corsicana	0.5051	0.5995	0.5995	0.5995	0.5995
Dawson	0.3877	0.4060	0.4060	0.4080	0.4213
Emhouse	0.2937	0.3215	0.3401	0.3228	0.3377
Frost	0.4965	0.5136	0.5297	0.5202	0.5000
Good Low (1)					
Kerens	0.4896	0.4897	0.4832	0.4833	0.4999
Rice	0.2074	0.2170	0.2147	0.2147	0.2172
Richland	0.2500	0.2481	0.2572	0.2399	0.2301
SCHOOL DISTRICTS:					
Blooming Grove	1.5540	1.5500	1.5500	1.5500	1.5500
Corsicana	1.4750	1.4750	1.4686	1.5186	1.3499
Dawson	1.3500	1.3800	1.3660	1.4200	1.5000
Frost	1.2900	1.3350	1.4000	1.4000	1.4000
Kerens	1.2300	1.2300	1.2300	1.3300	1.3300
Mildred	1.4270	1.4270	1.4220	1.4220	1.4220
Rice	1.3542	1.5000	1.4956	1.5092	1.5188

(1) New Taxing Entity

Source: Navarro Central Appraisal District

Table 4

<u>Tax Year 2000</u>	<u>Tax Year 2001</u>	<u>Tax Year 2002</u>	<u>Tax Year 2003</u>	<u>Tax Year 2004</u>
0.14177	0.14177	0.1405	0.1405	0.1405
0.5496	0.5496	0.5860	0.6246	0.6243
0.3401	0.3380	0.3380	0.3380	0.3345
0.4300	0.4387	0.4365	0.4383	0.4940
0.5995	0.5995	0.5995	0.5995	0.6272
0.4218	0.4268	0.4334	0.4335	0.4516
0.3377	0.3377	0.3377	0.3377	0.3341
0.4900	0.4900	0.4983	0.4834	0.5000
			0.1000	0.1000
0.5165	0.5500	0.5500	0.5500	0.6107
0.2294	0.22944	0.2500	0.2675	0.3063
0.2168	0.19643	0.2079	0.2082	0.2056
1.5000	1.5000	1.5000	1.5781	1.5830
1.4908	1.4908	1.4908	1.5208	1.6746
1.5000	1.5000	1.5000	1.5000	1.5000
1.4000	1.4300	1.4300	1.5300	1.5650
1.3300	1.4000	1.4000	1.4000	1.4000
1.4220	1.4220	1.4220	1.4220	1.4220
1.5367	1.5696	1.5822	1.5720	1.5896

Table 5

**NAVARRO COLLEGE
Principal Taxpayers
August 31, 2005
(Unaudited)**

Taxpayer	Type of Business	2004 Tax Year Assessed Valuations	Percentage of Total Assessed Valuation (a)
Guardian Industry	Glass Manufacturer	48,571,110	2.79%
TXU Electric	Electric Delivery Co.	45,837,720	2.63%
Russell Stover	Candy Manufacturer	27,811,080	1.60%
Tru-Serv Corporation	Retail Distribution	22,615,740	1.30%
Pactiv-Foam	Foam Manufacturer	21,922,860	1.26%
Union Pacific	RR Company	13,088,980	0.75%
SouthWestern Bell Telephone	Telephone Company	11,558,680	0.66%
Kohl's Distribution	Retail Distribution	11,238,160	0.65%
		<hr/>	
		202,644,330	11.64%
		<hr/>	

(a) Total Assessed Valuation of \$1,740,732,641

Source: Navarro Central Appraisal District

Table 6

**Navarro College
Computation of Legal Debt Margin
August 31, 2005
(Unaudited)**

Navarro College is limited to a maximum tax rate limit of \$1.00 per \$100 valuation of taxable property for bonded debt.

Total debt limit	\$0.500000
Current debt tax rate	<u>-</u>
Available debt tax rate	<u>\$0.500000</u>

Table 7

NAVARRO COLLEGE
Ratio of Bonded General Obligation Debt to
Assessed Value and Bonded Debt per Capita
(Per \$100 of Assessed Value)
Last Ten Years
(Unaudited)

<u>Fiscal</u> <u>Year</u>	<u>Population</u>	<u>Assessed</u> <u>Value</u> <u>After Exemptions</u>	<u>Bonded</u> <u>Tax Debt</u>	<u>Ratio of</u> <u>Bonded Debt</u> <u>to Assessed</u> <u>Value</u>	<u>Bonded</u> <u>Debt per</u> <u>Capita</u>
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This schedule does not apply because Navarro College does not have any General Obligation Bonds.

Table 8

NAVARRO COLLEGE
Ratio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Expenditures
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>General</u> <u>Obligation</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>General</u> <u>Expenditures</u>	<u>Ratio of</u> <u>Debt Service</u> <u>to Total</u> <u>General</u> <u>Expenditures.</u>
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This schedule does not apply because Navarro College does not have any General Obligation Bonds.

NAVARRO COLLEGE
Revenue Bond Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Tuition Pledge Revenue (1)	Building Fee Revenue	Out of Dist. Fee Revenue (2)	Other Fees Revenue (2)	Pledged Auxiliary Revenue	Auxiliary Expenses
1995-96	106,980	467,053	-	-	2,902,018	2,060,433
1996-97	114,353	492,022	-	-	2,941,616	2,088,547
1997-98	114,383	493,887	-	-	2,930,400	2,080,584
1998-99	114,953	503,030	-	-	3,302,757	2,066,997
1999-00	120,323	530,523	-	-	4,036,774	2,945,268
2000-01	139,927	581,584	-	-	4,124,306	2,777,307
2001-02	153,120	648,194	-	-	3,161,285	2,351,960
2002-03	182,828	918,247	1,502,253	728,396	5,332,367	4,297,630
2003-04	206,535	1,206,054	2,063,395	872,453	5,925,334	4,770,100
2004-05	221,460	1,586,781	2,358,743	770,229	6,431,483	5,003,324

(1) \$15.00 per semester headcount, \$7.50 per summer semester

(2) New bond covenants effective FY2003 which broadens scope of pledged revenues

Table 9

<u>Net Available</u>	<u>Interest Income</u>	<u>Total Net Revenue Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1,415,618	45,805	1,461,423	410,000	199,958	609,958	2.40
1,459,443	45,461	1,504,904	415,000	181,098	596,098	2.52
1,458,086	49,042	1,507,128	445,000	160,970	605,970	2.49
1,853,743	47,388	1,901,131	470,000	147,323	617,323	3.08
1,742,352	36,240	1,778,592	535,029	194,499	729,528	2.44
2,068,510	82,737	2,151,247	576,100	274,803	850,903	2.53
1,610,639	18,889	1,629,528	603,375	305,136	908,511	1.79
4,366,460	102,770	4,469,230	500,000	28,500	528,500	8.46
5,503,672	116,391	5,620,062	-	994,341	994,341	5.65
6,365,371	132,811	6,498,182	225,000	957,120	1,182,120	5.50

**Navarro College
Property Tax Assessed Valuation by Category
Last Five Years
(Unaudited)**

Category	Taxable Appraised Value for Fiscal Year ended August 31, 2005			
	2005		2004	
	Amount	% of Total	Amount	% of Total
Real, residential, single-family	608,289,234	30.07%	534,994,372	26.45%
Real, residential, multi-family	18,104,600	0.90%	16,694,230	0.83%
Real, vacant lots/tracts	64,370,554	3.18%	51,379,740	2.54%
Real, acreage (land only)	522,226,125	25.82%	497,532,825	24.60%
Real, farm and ranch improvements	224,504,817	11.10%	188,420,906	9.32%
Real, commercial and industrial	232,864,093	11.51%	198,502,423	9.81%
Real, oil, gas, and other mineral reserves	16,510,745	0.82%	11,164,315	0.55%
Real and intangible personal, utilities	148,734,670	7.35%	138,548,650	6.85%
Tangible personal, business	361,246,532	17.86%	330,632,236	16.35%
Tangible personal, other	36,079,819	1.78%	36,034,750	1.78%
Real, inventory	8,397,285	0.42%	10,559,097	0.52%
Special inventory	9,046,276	0.45%	8,103,228	0.40%
Total appraised value before exemptions	2,250,374,750	100.00%	2,022,566,772	100.00%

Source: Navarro Central Appraisal District

Table 10

2003		2002		2001	
Amount	% of Total	Amount	% of Total	Amount	% of Total
535,041,862	26.45%	\$ 499,715,802	25.79%	\$ 474,462,026	25.27%
16,694,230	0.83%	16,689,170	0.86%	16,299,470	0.87%
51,416,080	2.54%	47,193,960	2.44%	39,475,265	2.10%
497,537,435	24.60%	478,485,035	24.70%	468,145,505	24.94%
188,474,586	9.32%	169,509,496	8.75%	159,022,272	8.47%
198,457,343	9.81%	193,306,507	9.98%	190,245,037	10.13%
11,164,315	0.55%	10,174,735	0.53%	12,856,375	0.68%
138,548,650	6.85%	145,794,570	7.52%	138,831,480	7.39%
330,635,882	16.35%	325,604,462	16.80%	332,290,328	17.70%
36,036,580	1.78%	35,134,780	1.81%	30,224,800	1.61%
10,559,097	0.52%	8,021,058	0.41%	6,714,178	0.36%
8,103,128	0.40%	7,918,057	0.41%	8,856,564	0.47%
2,022,669,188	100.00%	\$ 1,937,547,632	100.00%	\$ 1,877,423,300	100.00%

Table 11

**NAVARRO COLLEGE
Demographic Statistics (1)
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population (1)	Per Capita Income (2)	Navarro County Unemployment Rate(3)	State Unemployment Rate (3)	National Unemployment Rate (3)
1995-96	40,878	18,014	5.6%	6.1%	5.4%
1996-97	41,184	19,767	5.3%	5.4%	4.9%
1997-98	41,091	20,687	5.1%	4.8%	4.5%
1998-99	41,600	21,720	4.4%	4.6%	4.2%
1999-00	45,124	20,831	4.8%	4.2%	4.0%
2000-01	45,643	20,703	4.9%	5.1%	5.0%
2001-02	46,830	21,397	6.1%	6.3%	5.7%
2002-03	N/A	21,463	7.7%	6.8%	6.0%
2003-04	N/A	N/A	5.3%	5.4%	5.4%
2004-05	47,414	N/A	5.8%	5.4%	5.0%

Source: (1) Texas State Data Center
(2) Bureau of Economic Analysis
(3) Texas Workforce Commission

N/A = Not Available

Table 12

**NAVARRO COLLEGE
Student Enrollment (Unduplicated)
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Full-Time Equivalents (FTE)	State Appropriations per FTE (1)	Total Fiscal Year Credit Hours	Total Fiscal Year Contact Hours
1994-95	2,556	2,613	76,689	1,720,860
1995-96	2,505	2,671	75,156	1,690,036
1996-97	2,754	2,364	82,629	1,866,476
1997-98	2,770	2,734	83,096	1,838,546
1998-99	2,827	2,771	84,816	1,880,132
1999-00	2,955	2,712	88,663	1,978,728
2000-01	3,225	2,626	96,746	2,294,496
2001-02	3,622	2,611	108,670	2,381,178
2002-03	3,919	2,125	121,670	2,613,036
2003-04	4,246	2,097	134,621	2,838,540
2004-05	4,810	1,851	144,306	3,023,840

(1) State appropriations include only the formula produced amounts for academic and vocational technical programs.

Table 13

**NAVARRO COLLEGE
Student Enrollment Demographic Statistics (Unduplicated)
(Unaudited)**

Fiscal Year	Attendance	Gender		Residency		
	Headcount	Male	Female	In-District	Out-of-District	Out of State
1995-96	4,925	1,903	3,022	1,218	3,306	401
1996-97	5,343	2,128	3,215	1,276	3,584	483
1997-98	5,255	2,087	3,135	1,301	3,463	491
1998-99	5,058	2,021	3,037	1,213	3,380	465
1999-00	5,320	2,119	3,201	1,275	3,564	481
2000-01	5,824	2,369	3,455	1,348	3,886	590
2001-02	6,512	2,621	3,891	1,525	4,353	634
2002-03	7,281	2,818	4,463	1,710	6,669	612
2003-04	8,030	3,009	5,021	1,749	5,751	530
2004-05	8,496	3,160	5,336	1,752	6,338	406

Fiscal Year	Average age of Student	Ethnic Background			
		Black	Caucasian	Hispanic	Other
1995-96	27	730	3,536	316	343
1996-97	26	787	3,809	330	417
1997-98	26	790	3,653	319	493
1998-99	26	779	3,528	341	410
1999-00	26	922	3,616	386	396
2000-01	25	1,018	3,869	451	486
2001-02	24	1,100	4,261	522	629
2002-03	24	1,266	4,803	645	567
2003-04	24	1,442	5,330	748	510
2004-05	24	1,588	5,686	823	399

Table 14

**NAVARRO COLLEGE
Tuition and Fee Schedule
Last Ten Fiscal Years
(Unaudited)**

Cost for full time Navarro County resident student (1) :

<u>Fiscal Year</u>	<u>Tuition</u>	<u>General Services Fee</u>	<u>Building Use Fee</u>	<u>Matriculation Fee</u>	<u>Technology Fee</u>	<u>Total Cost (1)</u>	<u>Percentage Increase</u>
1996	192.00	30.00	72.00	0.00	0.00	294.00	0.00%
1997	216.00	30.00	72.00	10.00	24.00	352.00	16.48%
1998	216.00	30.00	72.00	10.00	24.00	352.00	0.00%
1999	216.00	42.00 (2)	72.00	10.00	48.00	388.00	9.28%
2000	216.00	42.00	72.00	10.00	48.00	388.00	0.00%
2001	264.00 (3)	42.00	72.00	10.00	(3)	388.00	0.00%
2002	264.00	42.00	72.00	10.00	(3)	388.00	0.00%
2003	264.00	42.00	72.00	10.00	(3)	388.00	0.00%
2004	264.00	42.00	120.00	10.00	(3)	436.00	12.37%
2005	324.00 (4)	0.00 (4)	132.00	10.00	(3)	466.00	6.88%

(1) Based on twelve hour load

(2) Includes athletic fee

(3) Technology fee now included in tuition

(4) Gen. Service Fee and Athletic Fee now included in tuition

Table 15**NAVARRO COLLEGE
Faculty Statistics
August 31, 2005
(Unaudited)**

<u>Total Years of Experience</u>	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
00 - 04	45	48%
05 - 09	22	23%
10 - 14	11	12%
15 - 19	8	9%
20 - 24	2	2%
25 or more	6	6%

<u>Type of Degree</u>	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
Certificate or Less	0	0%
Associate's	1	1%
Bachelor's	13	14%
Master's	70	74%
Doctorate	10	11%

Table 16

**NAVARRO COLLEGE
Miscellaneous Statistics
August 31, 2005
(Unaudited)**

Date of formation:	July 16, 1946
Form of government:	State of Texas political subdivision governed by a seven-member Board of Trustees
Accredited by:	Commission on Colleges of the Southern Association of Colleges and Schools
Number of full-time employees:	275
Number of part-time employees:	403
Number of student employees:	198