

GEORGIA MILITARY COLLEGE MILLEDGEVILLE, GEORGIA



**INDEPENDENT ACCOUNTANTS REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR FISCAL YEAR ENDED
JUNE 30, 2017**

GEORGIA MILITARY COLLEGE

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

January 23, 2018

Members of the General Assembly of Georgia
Members of the Board of Trustees of the
Georgia Military College
and
Lieutenant General William B. Caldwell, IV, President
Georgia Military College

Independent Accountant's Report on Applying Agreed-Upon Procedures

Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by the Institution, solely to assist you in assessing the accuracy of the financial information reported in the Institution's 2017 Annual Financial Report for inclusion in the State of Georgia's *Comprehensive Annual Financial Report (CAFR)* and *Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2017. Georgia Military College's management is responsible for the financial information reported in the Institution's Annual Financial Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Review selected balance sheet items reported on the Annual Financial Report (cash, accounts receivable, accounts payable, deferred revenues, net position). Confirm that these items have adequate supporting documentation and are properly reconciled to the Institution's general ledger.

We did not note any exceptions as a result of our procedures.

2. Obtain the Institution's GAAP basis Statement of Net Position and Statement of Revenues Expenses and Changes in Net Position (SRECNP) submitted for inclusion in the State's CAFR and Single Audit. Confirm that financial information presented in these statements properly supports activity reported in the Institution's accounting records.

We did not note any exceptions as a result of our procedures.

3. Obtain the Institution's Statement of Cash Flows submitted for inclusion in the State's CAFR and Single Audit. Utilizing cash flow worksheets, confirm information reported on Statement of Cash Flows.

We did not note any exceptions as a result of our procedures.

4. Obtain the Institution's Notes to the Financial Statements submitted for inclusion in the State's CAFR and Single Audit. Utilizing notes worksheets and other supporting documentation confirm that note disclosures related to Cash, Investments, Accounts Receivable, Capital Assets, Long-Term Debt, Lease Obligations and Retirement Plans have been properly reported.

We did not note any exceptions as a result of our procedures.

5. Review the Institution's year end GAAP basis journal entries. Obtain documentation for GAAP journal entries and confirm that the entries were posted to the Institution's Annual Financial Report.

We did not note any exceptions as a result of our procedures.

6. Verify that the listing of salaries and travel reported to the Department of Audits is in accordance with O.C.G.A. §50-6-27 and reconciles to amounts recorded in the Institution's financial statements.

We did not note any exceptions as a result of our procedures.

7. Review the H.O.P.E. Scholarship Program reconciliation between the Institution and the Georgia Student Finance Commission. Confirm that information reported to the Georgia Student Finance Commission has been reconciled with H.O.P.E. Scholarship activity reported on the Institution's financial records.

We did not note any exceptions as a result of our procedures.

8. Review the Schedule of Expenditures of Federal Awards information submitted by the Institution for inclusion in the Statewide Single Audit. Confirm that the information is properly presented and supported by the Institution's accounting records.

We did not note any exceptions as a result of our procedures.

9. Review capital asset records to ensure that (1) subsidiary ledgers are appropriately reconciled to the ledgers, (2) capitalization thresholds are being properly followed, and (3) a complete physical equipment inventory is being conducted and that issues noted during the physical inventory are being properly addressed by management.

We did not note any exceptions as a result of our procedures.

10. Review bank reconciliations during the year under review to ensure that management is preparing them timely and that reconciling items are being addressed by management timely and in an appropriate manner.

We did not note any exceptions as a result of our procedures.

These agreed-upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is to express an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

EXHIBITS

GEORGIA MILITARY COLLEGE
STATEMENT OF NET POSITION - (GAAP BASIS)
JUNE 30, 2017

EXHIBIT "A"

| <u>ASSETS</u> | |
|--|-------------------------|
| Current Assets | |
| Cash and Cash Equivalents | \$ 12,519,110.55 |
| Accounts Receivable, Net | |
| Federal Financial Assistance | 1,090.00 |
| Other | 4,904,888.57 |
| Prepaid Items | 6,247.69 |
| Inventories | <u>1,913,241.23</u> |
| Total Current Assets | 19,344,578.04 |
| Noncurrent Assets | |
| Capital Assets, Net | <u>72,088,400.33</u> |
| Total Assets | <u>91,432,978.37</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Related to Defined Benefit Pension Plans | <u>14,072,266.69</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities | |
| Accounts Payable | 1,403,329.41 |
| Salaries Payable | 767,202.34 |
| Unearned Revenue | 3,057,798.34 |
| Funds Held for Others | 126,776.32 |
| Capital Leases | 12,395.08 |
| Compensated Absences | 582,518.12 |
| Notes Payable | <u>217,895.64</u> |
| Total Current Liabilities | <u>6,167,915.25</u> |
| Noncurrent Liabilities | |
| Capital Leases | 1,932.40 |
| Net Pension Liability | 37,649,971.00 |
| Notes Payable | <u>2,578,432.29</u> |
| Total Noncurrent Liabilities | <u>40,230,335.69</u> |
| Total Liabilities | <u>46,398,250.94</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Related to Defined Benefit Pension Plans | <u>3,080,779.00</u> |
| <u>NET POSITION</u> | |
| Net Investment in Capital Assets | 69,277,744.92 |
| Unrestricted (Deficit) | <u>(13,251,529.80)</u> |
| Total Net Position | <u>\$ 56,026,215.12</u> |

GEORGIA MILITARY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (GAAP BASIS)
YEAR ENDED JUNE 30, 2017

EXHIBIT "B"

OPERATING REVENUES

| | |
|------------------------------|----------------------|
| Student Tuition and Fees | \$ 55,309,049.09 |
| Less: Scholarship Allowances | (24,795,833.85) |
| Grants and Contracts | |
| Federal | 4,733,307.70 |
| State | 18,031,041.66 |
| Nongovernmental | 440,591.47 |
| Auxiliary Enterprises | |
| Housing | 826,272.50 |
| Bookstore | 4,678,190.34 |
| Food Services | 1,915,947.70 |
| Athletics | 267,018.92 |
| Other Operating Revenues | <u>598,103.99</u> |
| Total Operating Revenues | <u>62,003,689.52</u> |

OPERATING EXPENSES

| | |
|------------------------------|------------------------|
| Salaries | |
| Faculty | 14,135,143.13 |
| Staff | 16,412,374.06 |
| Employee Benefits | 10,216,739.83 |
| Travel | 282,314.44 |
| Scholarships and Fellowships | 9,368,644.11 |
| Utilities | 1,974,433.06 |
| Supplies and Other Services | 23,975,842.86 |
| Depreciation | <u>3,203,276.68</u> |
| Total Operating Expenses | <u>79,568,768.17</u> |
| Operating Loss | <u>(17,565,078.65)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|----------------------|
| Grants and Contracts | |
| Federal | 16,723,283.08 |
| Gifts | 190,622.42 |
| Interest and Other Investment Income | 640,607.69 |
| Interest Expense (Capital Assets) | (124,692.19) |
| Other Nonoperating Revenues | <u>364,788.52</u> |
| Net Nonoperating Revenues | <u>17,794,609.52</u> |
| Income Before Other Revenues, Expenses, Gains, or Losses | <u>229,530.87</u> |

| | |
|--|-------------------|
| Capital Grants and Gifts | |
| State | 936,738.78 |
| Gain on Disposal of Capital Assets | <u>4,500.00</u> |
| Total Other Revenues, Expenses, Gains, or Losses | <u>941,238.78</u> |

| | |
|----------------------------------|-------------------------|
| Increase in Net Position | 1,170,769.65 |
| Net Position - Beginning of Year | <u>54,855,445.47</u> |
| Net Position - End of Year | <u>\$ 56,026,215.12</u> |

GEORGIA MILITARY COLLEGE
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2017

EXHIBIT "C"

| | |
|---|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and Fees | \$ 31,293,379.57 |
| Grants and Contracts | 23,532,089.73 |
| Sales and Services of Educational Departments | 7,687,429.46 |
| Payments to Suppliers | (35,558,625.09) |
| Payments to Employees | (30,401,369.94) |
| Payments for Scholarships and Fellowships | (9,368,644.11) |
| Other Receipts (Payments) | <u>40,202.96</u> |
| Net Cash Used by Operating Activities | <u>(12,775,537.42)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Agency Funds Transactions | 2,598.73 |
| Gifts and Grants Received for Other than Capital Purposes | 16,913,905.50 |
| Other Nonoperating Receipts | <u>360,288.52</u> |
| Net Cash Flows Provided by Noncapital Financing Activities | <u>17,276,792.75</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from Sale of Capital Assets | 77,427.48 |
| Purchases of Capital Assets | (4,130,426.96) |
| Principal Paid on Capital Debt and Leases | (247,549.71) |
| Interest Paid on Capital Debt and Leases | <u>(124,692.19)</u> |
| Net Cash Used by Capital and Related Financing Activities | <u>(4,425,241.38)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Earnings on Investments | 640,607.69 |
| Proceeds from Sales and Maturities of Investments | <u>1,233,849.03</u> |
| Net Cash Provided by Investing Activities | <u>1,874,456.72</u> |
| Net Increase in Cash | 1,950,470.67 |
| Cash and Cash Equivalents - Beginning of Year | <u>10,568,639.88</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 12,519,110.55</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating Loss | \$ (17,565,078.65) |
| Adjustments to Reconcile Operating Income to Net Cash | |
| Used by Operating Activities | |
| Depreciation Expense | 3,203,276.68 |
| Change in Assets and Liabilities: | |
| Accounts Receivable, Net | 752,182.20 |
| Inventories | (145,423.58) |
| Prepaid Items | 453.28 |
| Salaries Payable | 70,582.90 |
| Accounts Payable | (203,017.15) |
| Deferred Revenue | (202,770.00) |
| Compensated Absences | 51,911.85 |
| Change in Deferred Inflows/Outflows of Resources: | |
| Deferred Inflows of Resources | (2,876,897.00) |
| Deferred Outflows of Resources | (10,318,546.95) |
| Net Pension Liability | <u>14,457,789.00</u> |
| Net Cash Used by Operating Activities | <u>\$ (12,775,537.42)</u> |
| NONCASH ACTIVITY | |
| Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts | <u>\$ 936,738.78</u> |