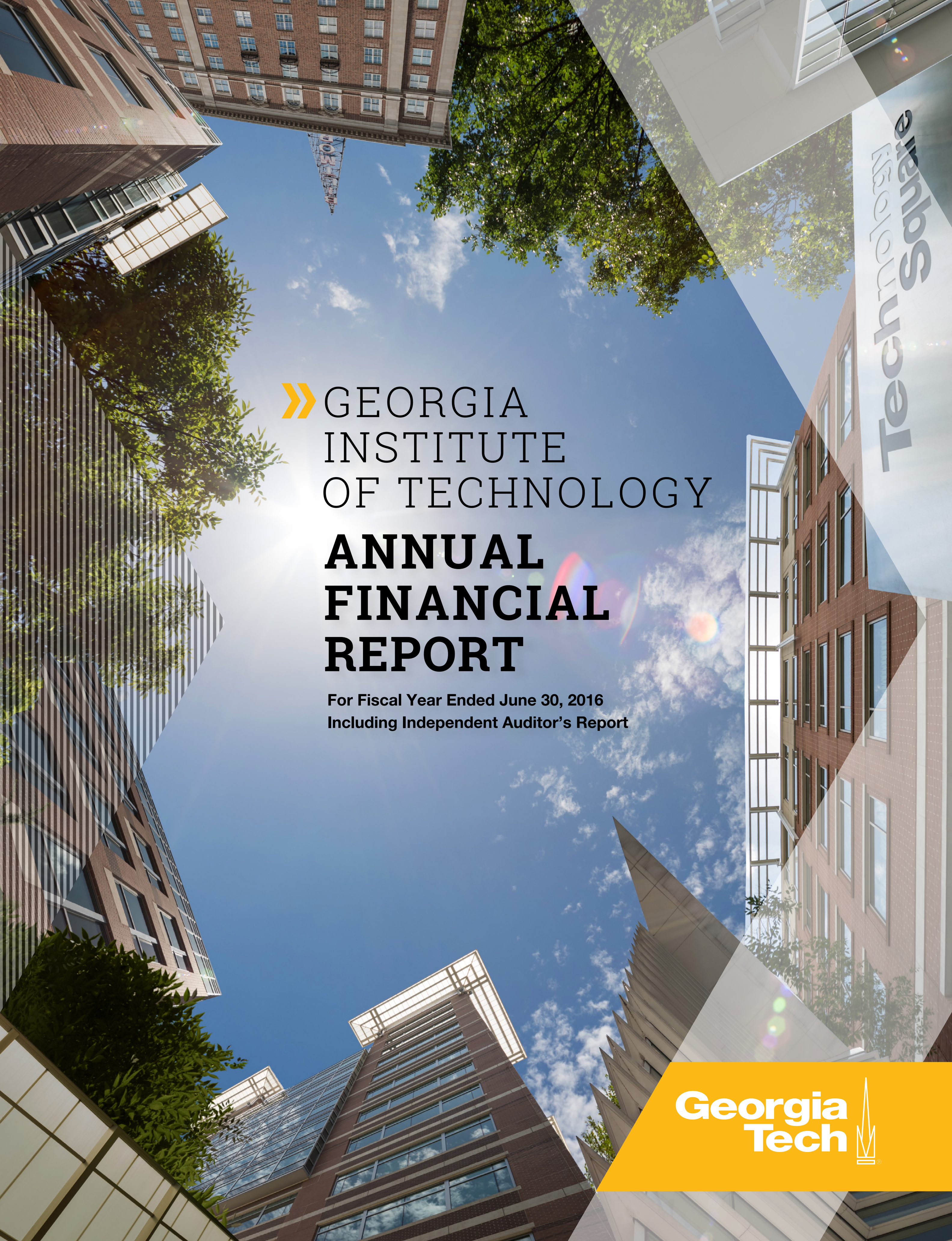

GEORGIA INSTITUTE OF TECHNOLOGY

ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2016
Including Independent Auditor's Report

GEORGIA INSTITUTE OF TECHNOLOGY

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GEORGIA INSTITUTE OF TECHNOLOGY

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SECTION I

INTRODUCTORY SECTION

Message from the President

It has been a great year for the Georgia Institute of Technology! This past year, we have started using the term “Creating the Next” as shorthand for our drive to solve some of the world’s most challenging technological problems. Georgia Tech continues to enjoy a stellar reputation internationally, ranking No. 9 on the *U.S. News & World Report* list of the 100 Best Global Universities for Engineering and No. 70 on its 500 Top Global Universities list. Other highlights from FY2016 include:

- More than 25,000 students enrolled at Georgia Tech this past year representing a majority of Georgia counties, all 50 states, and 127 countries. Tech also marked its 250th Commencement.
- Georgia Tech’s 40-member Commission on Creating the Next in Education was appointed in fall 2015 by Provost Rafael Bras. The commission is exploring new ideas in content delivery and seeking to nurture a culture of lifelong learning for undergraduate, graduate, and professional education learners.
- *Serve-Learn-Sustain,* Georgia Tech’s Quality Enhancement Plan (QEP), was launched in 2016 to guide efforts to weave sustainability ethic into curriculum and campus facilities.
- Georgia Tech was in the news, globally, when two of our researchers played a key role in the discovery of the strongest evidence to date of liquid water on Mars. Ph.D. students Lujendra Ojha, who led the study, and Mary Beth Wilhelm, a NASA researcher and study co-author, participated in NASA’s live TV and web broadcast, resulting in more than 3,000 media stories worldwide.
- A global research group, including a number of Georgia Tech researchers, graduate students, and undergraduates, became the first to observe ripples — called gravitational waves — in the fabric of space-time. Laser Interferometer Gravitational-wave Observatories (LIGO) were conceived, built, and operated by Caltech and MIT. Advanced LIGO involves researchers from Georgia Tech, along with scientists from universities around the U.S. and in 14 other countries.
- Fifteen of Georgia Tech’s 17 varsity sports scored 980 or higher of a possible 1,000 points on their Academic Progress Report (APR), including three teams (golf, men’s swimming & diving, volleyball) that posted perfect scores of 1,000.
- Delta Air Lines and Anthem, the parent company of Blue Cross and Blue Shield of Georgia, opened innovation centers in Tech Square, joining The Home Depot, Coca-Cola Enterprises (CCE), Southern Company, Panasonic, and AT&T, among others. These centers allow for interaction with the talent and expertise that exists at Georgia Tech in our students, faculty, and staff.
- The Enterprise Innovation Institute’s (EI^2) various economic development programs had a total impact of $2.46 billion on Georgia’s economy last year, creating or saving more than 23,000 jobs. The Advanced Technology Development Center (ATDC) worked with more than 450 companies that reported more than $826 million in capital activity and generated revenue of $1.6 billion. The Georgia Manufacturing Extension Partnership alone worked with 1,929 Georgia manufacturers to create or retain 2,149 jobs, save more than $25.3 million, and generate sales of more than $205 million. The Georgia Procurement Assistance Center helped 2,578 Georgia companies generate more than $1.23 billion in government contracts and create or save 24,611 jobs.
- In the past year, Georgia Tech opened the Engineered Biosystems Building (EBB), a multidisciplinary research facility, as well as a new joint Library Service Center (LSC) with Emory University. Georgia Tech’s high performance computing center will be the anchor tenant of Coda, an unprecedented collaborative building located in the heart of Tech Square.
- Thanks to the leadership of “Campaign Georgia Tech” co-chairs John and Mary Brock and the generosity of more than 91,000 donors, Georgia Tech exceeded its $1.5 billion capital campaign target by more than $300 million. Every major goal was exceeded, and resources are facilitating everything from scholarships and endowed chairs to construction and renovations.

This past year, we saw our students, faculty, and staff do some absolutely amazing things in the classrooms, laboratories, and our communities. We are proud to be a contributing member of the University System of Georgia and will continue to expand our reach in our ongoing effort to improve the human condition here and around the world.

G. P. “Bud” Peterson
President
Georgia Institute of Technology

Letter of Transmittal

August 9, 2016

To: President G. P. "Bud" Peterson
Georgia Institute of Technology

The Annual Financial Report (AFR) for the Georgia Institute of Technology includes the financial statements for the year ended June 30, 2016, as well as other useful information to help ensure the Institute's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institute's financial position as a result of operations for the fiscal year ended June 30, 2016.

Georgia Tech's management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institute's financial position, revenues, expenses and other changes in net position.

The Institute's financial records are audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. Georgia Tech's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the Institute's management. The audit of the Institute's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

Sincerely,

Steven G. Swant
Executive Vice President
Administration and Finance

SECTION II

FINANCIAL

Department of Audits and Accounts
270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
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Kristina A. Turner
DIRECTOR
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December 30, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Dr. G.P. "Bud" Peterson, President
Georgia Institute of Technology

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Georgia Institute of Technology (Institution), a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2016 and the related notes to the financial, which comprise the Institution's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aggregate discretely presented component units are based solely on the reports of the other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Georgia Tech Foundation, Incorporated, the Georgia Tech Research Corporation, the Georgia Tech Athletic Association and the Georgia Tech Facilities, Incorporated were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Georgia Institute of Technology as of June 30, 2016, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Georgia Institute of Technology are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and aggregate discretely presented component units of the State of Georgia that are attributable to the transactions of the Georgia Institute of Technology. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2016, the Georgia Institute of Technology adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 17 and the Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems and the Notes to the Required Supplementary Information on pages 67 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Georgia Institute of Technology. The accompanying supplementary information (Schedules 6 through 9) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information (Schedules 6 through 9) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the Georgia Institute of Technology's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Georgia Institute of Technology's internal control over financial reporting and compliance.

Respectfully,

Greg S. Griffin

Greg S. Griffin
State Auditor

REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis

Introduction

The Georgia Institute of Technology (Georgia Tech or the Institute) is one of the twenty-nine (29) institutions of higher education within the University System of Georgia (USG). Georgia Tech is one of the nation's leading research universities — a university that embraces change while continually "Creating the Next". The next generation of leaders. The next breakthrough startup company. The next life-saving medical treatment.

Georgia Tech provides a focused, technology-based education to more than 25,000 undergraduate and graduate students. It offers degrees through the Colleges of Computing, Design, Engineering, Sciences, the Scheller College of Business and the Ivan Allen College of Liberal Arts. Georgia Tech is also renowned for providing a highly diverse educational environment. The Institute consistently ranks among the top universities in the country in the number of engineering degrees awarded to women, African Americans, and all underrepresented minorities. Tech's high-quality faculty is a key contributor to the Institute's educational environment. More than 90 percent of faculty members hold doctoral degrees. Tech's prominent faculty are recognized worldwide for their excellent research and teaching skills. Outside the traditional classroom and lab settings, the cooperative education, study abroad and internship programs help students lay the groundwork for a successful future.

Accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), Georgia Tech is a member of the Association of American Universities (AAU), an association of 62 leading research universities in the United States and Canada. As a leading technological institute, Georgia Tech has over 100 research centers and laboratories that consistently contribute vital research and innovation to government, industry, and business on a national as well as an international scale. Georgia Tech's drive to "Create the Next" distinguishes us as a distinctively different kind of university, one that is eagerly encouraging and developing the revolutionary technologies of the twenty-first century. Equipped with the extremely rich resources of an outstanding student body and faculty, strong partnerships with business, industry, and government, and support from alumni and friends, Georgia Tech is designing a future of global preeminence, leadership, and service.

The Institute continues to have a stable student population as indicated by the comparison numbers that follow.

	Faculty	Students (Headcount)	Students (FTE)
Fiscal Year 2016	1,311	25,034	22,236
Fiscal Year 2015	1,264	23,108	21,112
Fiscal Year 2014	1,086	21,471	20,134

Overview of the Financial Statements and Financial Analysis

Georgia Institute of Technology is pleased to present its financial statements for fiscal year 2016. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Institute's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2016 and fiscal year 2015.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2016 and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both current and noncurrent. The differences between current and noncurrent assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received, despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institute and the amount owed to the Institute by vendors. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one indicator of the Institute's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the Institute's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institute's equity in property, plant and equipment owned by the Institute.

The next category is restricted, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the Institute 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. Unrestricted resources are available to the Institute for any lawful purpose.

Statement of Net Position, Condensed

	June 30, 2016	June 30, 2015
Assets		
Current Assets	$ 385,629,320	$ 348,773,169
Capital Assets, Net	1,862,527,297	1,831,242,898
Other Assets	85,796,437	87,352,367
Total Assets	2,333,953,054	2,267,368,434
Deferred Outflows of Resources	51,000,129	37,501,287
Liabilities		
Current Liabilities	174,651,584	169,641,534
Noncurrent Liabilities	802,065,931	740,209,087
Total Liabilities	976,717,515	909,850,621
Deferred Inflows of Resources	40,030,513	105,674,412
Net Position		
Net Investment in Capital Assets	1,390,649,474	1,356,511,659
Restricted		
Nonexpendable	62,187,031	63,034,726
Expendable	25,538,921	29,992,163
Unrestricted	-110,170,271	-160,193,860
Total Net Position	$ 1,368,205,155	$ 1,289,344,688

Total assets and deferred outflows of resources increased for the year by $80,083,462. This increase was primarily due to increases of $36,856,151, $31,284,399 and $13,498,842 in the categories of Current Assets, Capital Assets, Net and Deferred Outflows of Resources for Defined Benefit Pension Plans, respectively.

Total liabilities and deferred inflows of resources increased for the year by $1,222,995. The combination of the increase in total assets and deferred outflows of resources and the increase in total liabilities and deferred inflows of resources yielded a net increase in net position of $78,860,467. This increase in net position is primarily in the categories of Net Investment in Capital Assets, in the amount of $34,137,815 and Unrestricted Net Position of $50,023,589.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the Institute, both operating and non-operating, and the expenses paid by the Institute, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Institute. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the Institute. 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 Institute. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the Institute without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position, Condensed

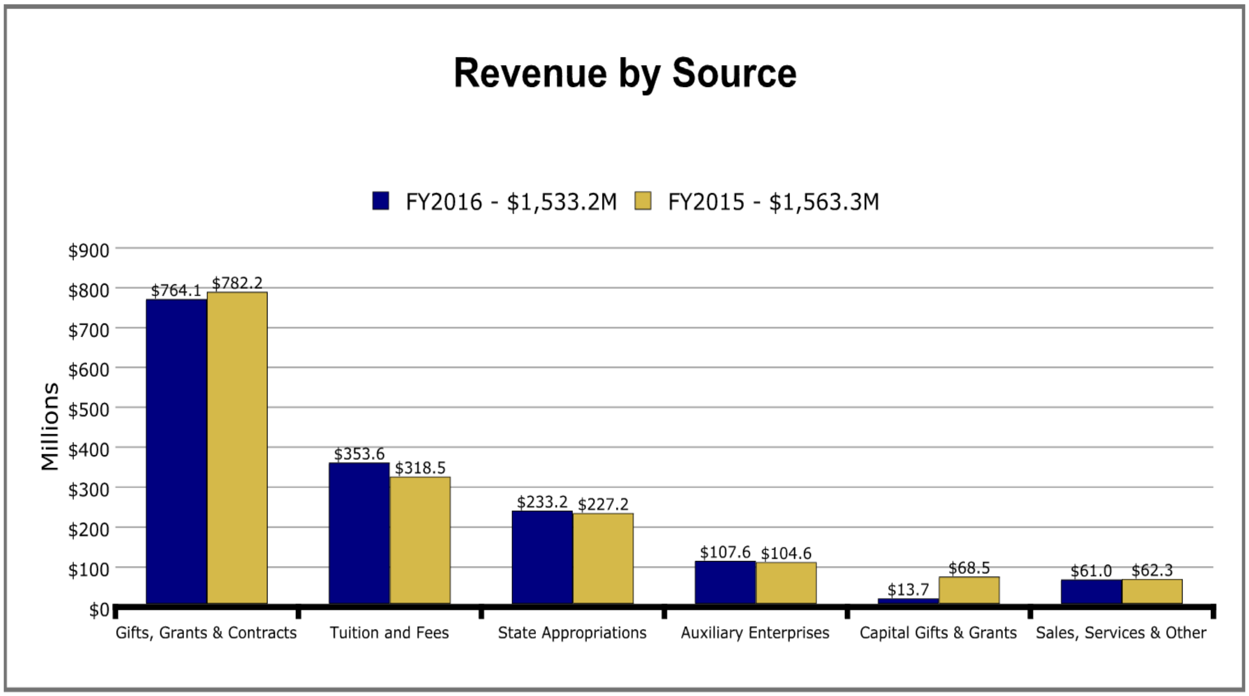
	June 30, 2016	June 30, 2015
Operating Revenues	$ 1,257,376,861	$ 1,204,924,712
Operating Expenses	1,428,638,056	1,410,869,904
Operating Loss	-171,261,195	-205,945,192
Nonoperating Revenues and Expenses	236,381,105	264,242,460
Income Before Other Revenues, Expenses, Gains or Losses	65,119,910	58,297,268
Other Revenues, Expenses, Gains or Losses	13,740,557	68,531,973
Increase in Net Position	78,860,467	126,829,241
Net Position at Beginning of Year, as Originally Reported	1,289,344,688	1,507,392,103
Prior Year Adjustments		-344,876,656
Net Position at Beginning of Year, Restated	1,289,344,688	1,162,515,447
Net Position at End of Year	$ 1,368,205,155	$ 1,289,344,688

The Statement of Revenues, Expenses and Changes in Net Position reflect a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement follows on the next few pages.

Revenue by Source
For the Years Ended June 30, 2016 and June 30, 2015

	June 30, 2016	June 30, 2015
Operating Revenue		
Tuition and Fees	$ 353,571,407	$ 318,573,215
Grants and Contracts	750,700,533	736,072,416
Sales and Services of Educational Departments	35,828,457	40,815,196
Auxiliary	107,655,577	104,589,416
Other	9,620,887	4,874,469
Total Operating Revenue	1,257,376,861	1,204,924,712
Nonoperating Revenue		
State Appropriations	233,201,045	227,216,008
Grants and Contracts	11,696,408	12,078,924
Gifts	1,721,782	34,074,456
Investment Income	16,175,551	15,151,193
Other	-659,494	1,410,167
Total Nonoperating Revenue	262,135,292	289,930,748
Capital Grants and Gifts		
State	12,490,298	68,531,973
Other Capital Gifts and Grants	1,170,928	
Total Capital Grants and Gifts	13,661,226	68,531,973
Additions to Permanent Endowments	79,331	
Total Permanent Endowments	79,331	
Total Revenues	$ 1,533,252,710	$ 1,563,387,433

The illustration below is a comparison of the Institute's revenue sources by major category for the fiscal years ended June 30, 2016 and June 30, 2015.



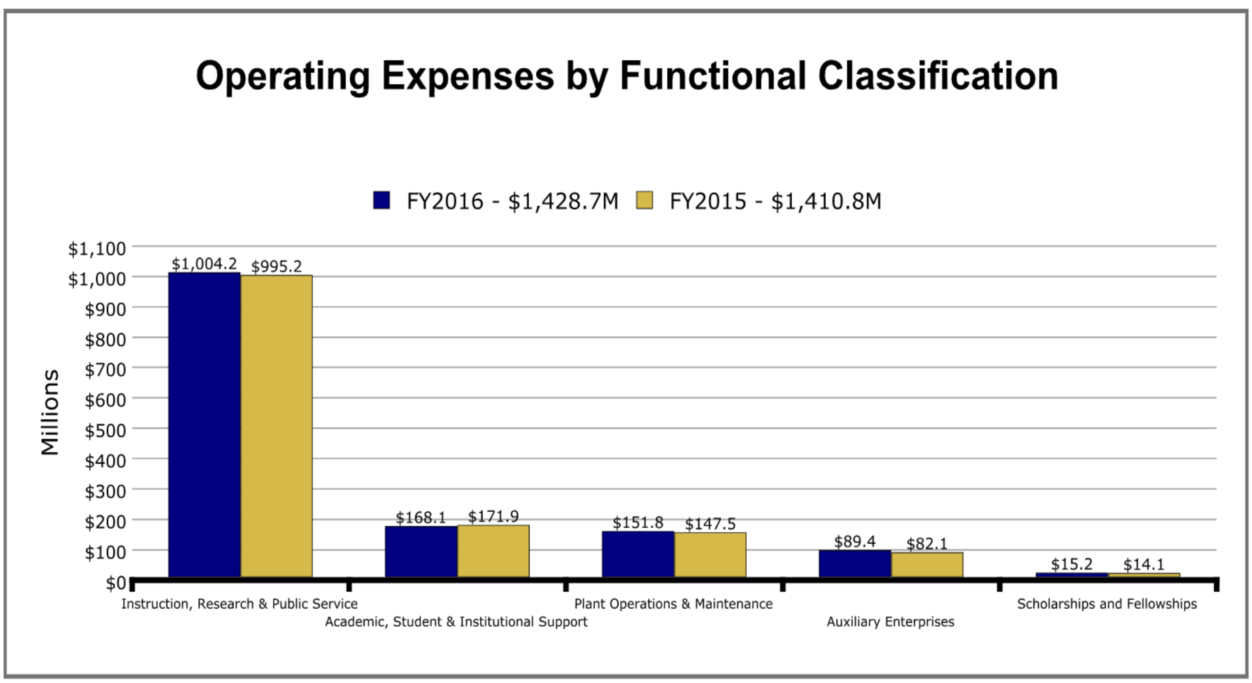
Overall revenue decreased by $30.1 million over the previous fiscal year. Operating revenues which includes categories such as Tuition and Fees, Operating Grants and Contracts, and Sales and Services increased by a total of $52.5 million. This increase included a $35.0 million net increase in tuition and fees and a $14.6 million increase in operating grants and contracts, which are grants that exchange payment for products and services.

Non-operating revenue which includes State Appropriations, Non-operating Gifts, Grants and Contracts and Investment Income decreased by $27.7 million for fiscal year 2016. This decrease is primarily attributable to a decrease in non-operating gifts of $32.4 million, but was offset by an increase in State Appropriations of $6.0 million. The $764.1 million in revenue from Gifts, Grants and Contracts includes $77.9 million of direct expense reimbursements from the Georgia Tech Foundation, increasing from $76.9 million in the prior fiscal year.

Expenses (By Functional Classification)
For the Years Ended June 30, 2016 and June 30, 2015

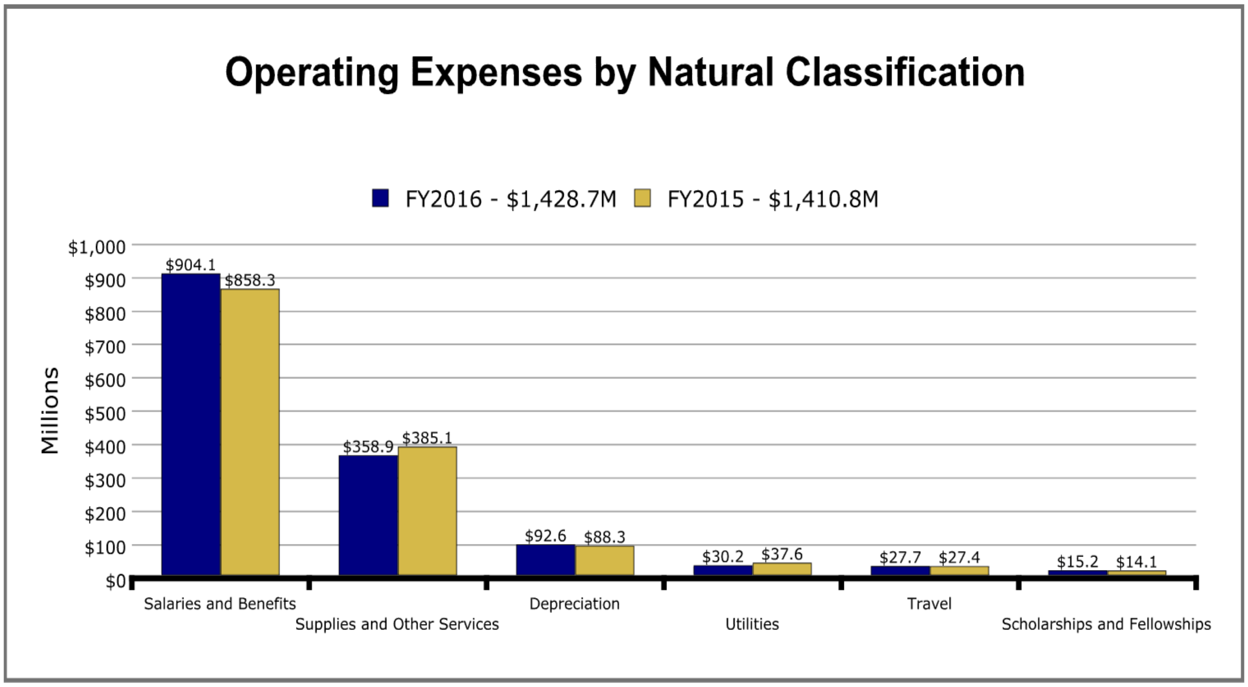
	June 30, 2016	June 30, 2015
Operating Expenses		
Instruction	$ 280,623,026	$ 293,027,746
Research	671,561,040	650,312,846
Public Service	51,964,715	51,880,478
Academic Support	52,227,728	50,945,354
Student Services	33,300,942	32,711,879
Institutional Support	82,615,645	88,262,713
Plant Operations and Maintenance	151,778,573	147,512,362
Scholarships and Fellowships	15,162,457	14,076,074
Auxiliary Enterprises	89,403,930	82,140,452
Total Operating Expenses	1,428,638,056	1,410,869,904
Nonoperating Expenses		
Interest Expense (Capital Assets)	25,754,187	25,688,288
Total Expenses	$ 1,454,392,243	$ 1,436,558,192

The illustration below is a comparison of the Institute's operating expenses by functional classification for the fiscal years ended June 30, 2016 and June 30, 2015.



Operating expenses for Instruction, Research and Public Service increased by $9.0 million, while operating expenses for Academic, Student and Institutional Support decreased by $3.8 million. Operating expenses for Plant Operations and Maintenance, Auxiliary Enterprises and Scholarships and Fellowships increased by $4.3 million, $7.3 million, and $1.1 million, respectively. The changes listed above resulted in a $17.8 million or 1.3% increase in overall operating expenses for the fiscal year.

The illustration below is a comparison of the Institute's operating expenses by natural classification for the fiscal years ended June 30, 2016 and June 30, 2015.



Total operating expenses for fiscal year 2016 totaled $1,428.7 million which is a $17.9 million or 1.3% increase over the prior fiscal year. This net increase includes a $45.8 million increase in employee salaries and benefits reflecting the hiring of new faculty and staff, merit increases and increases in the cost of employee benefits as well as a $26.2 million decrease in the consumption of Supplies and Other Services. Utilities decreased by $7.5 million due to reductions in rates for natural gas and electricity and reductions in natural gas consumption. The remaining categories remained relatively stable compared to the prior year.

Statement of Cash Flows

The final statement presented by the Georgia Institute of Technology is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Institute during the year. Cash flow information can be used to evaluate the financial viability of the Institute's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part outlines operating cash flows and shows the net cash used by the operating activities of the Institute. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section provides cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

The fourth section shows cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2016 and June 30, 2015, Condensed

		June 30, 2016		June 30, 2015
Cash Provided (Used) By:				
Operating Activities	$	-98,974,339	$	-99,058,833
Noncapital Financing Activities		247,314,704		242,836,559
Capital and Related Financing Activities		-137,602,220		-164,640,926
Investing Activities		16,959,149		15,307,599
Net Change in Cash		27,697,294		-5,555,601
Cash, Beginning of Year		225,786,612		231,342,213
Cash, End of Year	$	253,483,906	$	225,786,612

Capital Assets

The Institute had significant capital asset additions for fiscal year 2016 for the renovation of the Glenn and Towers Residence Halls and the construction of the GT Connector Building that joins the two residence halls. This project was completed with Institute funds, resulting in $38,852,643 in capital asset additions. For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

The Georgia Institute of Technology had Long-Term Liabilities of $851,698,632 of which $49,632,701 was reflected as current liability at June 30, 2016.

For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other postemployment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

The financial position of the Georgia Institute of Technology is strong, as evidenced by the Institute's fiscal year 2016 operating results. Management anticipates that fiscal year 2017 will be similar to the prior year in terms of operating revenues and expenses and will maintain a close watch over resources in order to respond to both emerging challenges and opportunities. Key to this effort is monitoring primary sources of revenue, to include student tuition and fees, State Appropriations, and sponsored operations revenue, as well as prudent management of capital and other reserves.

Tuition

Georgia Tech's enrollment is expected to remain stable, with a modest 2% increase anticipated in fiscal year 2017. The Board of Regents (BOR) approved 9% tuition increases in both 2015 and 2016 for resident students. In fiscal year 2016, the combination of tuition and enrollment increases brought an approximate 9% increase in tuition revenue. For 2017, the BOR elected to maintain tuition rates at the 2016 level. For future years it is anticipated that modest rate increases will be approved, and enrollment growth will continue at a moderate level for all areas except the Masters in Computer Science program, a major growth area. This program has experienced the following increase, mainly due to the online master's program: 757 graduate students in the Spring of 2014 compared to 3,790 in the Spring of 2016, a five-fold increase. This growth is expected to continue into fiscal year 2017, but not at this accelerated rate.

State Appropriations

The University System of Georgia (USG) operates under a formula funding system. The current formula involves a calculus that aggregates the funding needs of all institutions to provide a continuous level of support for the "Resident Instruction" fund, which supports core instructional, research, facilities, student services, and other institutional needs. The amount of funding received by Georgia Tech and other USG schools is contingent upon the state Legislature's approval of new USG funding and the allocation strategy employed by the BOR. The state also provides funding for a share of the merit pay and fringe benefit increases, again contingent on the General Assembly's approval of that funding. It is expected that Georgia Tech's strong academic performance and enrollment will continue to be recognized and supported by the State of Georgia and the USG, with the Institute receiving an increase in state funding of over 10% for fiscal year 2017.

Sponsored Operations

Fiscal year 2016 ended with an increase of 11% in sponsored awards, to nearly $719 million, resulting in the highest level of new awards on record. Georgia Tech's number of funded awards also increased by 4% over the previous year. Sponsored revenue increased by 2% to $762.4 million in 2016, continuing the strong performance by the Georgia Tech Research Institute (GTRI) and reflecting a strong year in the College of Engineering. Given the positive direction of funded awards and its reputation as a global leader in university research, Georgia Tech anticipates strong Grants and Contracts revenue performance in fiscal year 2017.

Reserves

Georgia Tech has succeeded in carrying over a portion of its indirect cost revenue for five straight years, including fiscal year 2016, and has slightly increased the amount each year. These funds are earmarked for capital reserves, faculty start-up, and other funding priorities.

Auxiliary Enterprises

Georgia Tech's Auxiliary Enterprises continue to maintain solid reserves necessary to cover required capital improvements anticipated for future years. From these reserves, the Institute was able to fund 2016 and 2017 cost increases for all areas, after having received approval for only a modest mandatory fee increase for Transportation for 2017. All areas have been able to maintain their levels of service, despite pressure to minimize or avoid fee rate increases. For Housing, the largest Auxiliary area, the fee increase for 2017 was limited to an average of 3%, while the program continues to cover its capital commitments.

G. P. "Bud" Peterson, President
Georgia Institute of Technology

Steven G. Swant, Executive Vice President
Georgia Institute of Technology

BASIC FINANCIAL STATEMENTS

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT "A"

	Department within the State of Georgia Primary Government	Component Units of the State of Georgia Reporting Entity			
	Georgia Institute of Technology	Georgia Tech Athletic Association	Georgia Tech Facilities, Inc.	Gerogia Tech Research Corp.	Georgia Tech Foundation
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 253,383,976	$ 6,718,468	$ 4,115,236	$ 105,480,070	$ 6,145,000
Short-Term Investments	155,462				
Accounts Receivable, Net					
Receivables - Federal Financial Assistance	6,282,627				
Receivables - Other	32,580,634	2,218,101		47,983,333	
Due from Affiliated Organizations			571,842		
Due from Component Units	76,346,229			1,510,008	
Investment in Capital Leases - Primary Government			8,557,805		6,251,680
Investment in Capital Leases - External				297,643	
Pledges Receivable		2,771,332			
Contributions Receivable					19,961,039
Inventories	983,529				
Prepaid Items	15,896,863	911,620	225,670	48,640	
Notes and Mortgages Receivable			600,000		
Other Assets				61,009,490	
Total Current Assets	385,629,320	12,619,521	14,070,553	216,329,184	32,357,719
Noncurrent Assets					
Noncurrent Cash			2,948,236		10,472,000
Due from Component Units			7,362,430		
Due from USO - Capital Liability Reserve Fund	2,275,907				
Investment in Capital Leases - Primary Government			234,488,248		123,831,320
Investments	9,414,328	98,449,829		124	1,390,035,171
Notes Receivable, Net	11,919,171		1,630,780	200,000	
Investment in Capital Leases - External				5,134,870	
Pledges Receivable		8,754,616			14,367,000
Contributions Receivable					68,876,961
Noncurrent Cash (Externally Restricted)	99,930				
Investments (Externally Restricted)	62,087,101				
Capital Assets, Net	1,862,527,297	167,490,996	3,482,017	1,458,404	33,168,000
Other Assets		1,050,656	3,875,000	679	28,246,000
Total Noncurrent Assets	1,948,323,734	275,746,097	253,786,711	6,794,077	1,668,996,452
Total Assets	2,333,953,054	288,365,618	267,857,264	223,123,261	1,701,354,171
Deferred Outflows of Resources					
Deferred Loss on Defined Benefit Pension Plan	51,000,129				
Deferred Loss on Debt Refundings		20,397,906	28,507,196		
Total Deferred Outflows of Resources	51,000,129	20,397,906	28,507,196		
LIABILITIES					
Current Liabilities					
Accounts Payable	66,970,780	5,455,557	1,983,052		9,183,300
Salaries Payable	3,026,146				
Benefits Payable	690,464				
Contracts Payable	6,042,916				
Retainage Payable	2,068,157				
Deposits	8,687,906	10,716,022			
Advances (Including Tuition and Fees)	23,754,907	113,090	2,500	55,644,243	25,741,000
Pollution Remediation	448,258	1,575,564			
Deposits Held for Other Organizations	13,298,455				
Due to Primary Government			35,963	76,310,266	
Lease Purchase Obligations - External	2,059,169	59,567		343,977	
Lease Purchase Obligations - Component Units	14,809,485				
Compensated Absences	31,978,082				374,400
Liabilities Under Split-Interest Agreements					2,095,000
Revenue/Mortgage Bonds Payable		1,050,000	10,393,793		10,295,000
Due to Component Units				1,510,008	
Due to Affiliate Organizations	30,894				357,741
Notes and Loans Payable	349,260	941,467			31,230,000
Pollution Remediation	436,705				
Other Liabilities				32,055,795	
Total Current Liabilities	$ 174,651,584	$ 19,911,267	$ 12,415,308	$ 165,864,289	$ 79,276,441

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Department within the State of Georgia Primary Government	Component Units of the State of Georgia Reporting Entity			
	Georgia Institute of Technology	Georgia Tech Athletic Association	Georgia Tech Facilities, Inc.	Gerogia Tech Research Corp.	Georgia Tech Foundation
Noncurrent Liabilities					
Lease Purchase Obligations - External	$ 79,316,603			$ 5,088,535	
Lease Purchase Obligations - Component Units	358,319,568				
Advances			$ 7,500		
Compensated Absences	14,097,358				
Revenue/Mortgage Bonds Payable		$ 210,875,000	255,370,189		$ 216,175,000
Unamortized Bond Discount		-1,716,644	-12,225		-12,700
Unamortized Bond Premium		9,112,800	10,273,910		12,062,700
Due to Component Units					7,362,430
Liabilities Under Split Interest Agreements					11,421,000
Net Pension Liability	342,919,737				
Notes and Loans Payable	7,412,665	6,026,501			
Other Non-current Liabilities		2,145,192			7,138,300
Total Noncurrent Liabilities	802,065,931	226,442,849	265,639,374	5,088,535	254,146,730
Total Liabilities	976,717,515	246,354,116	278,054,682	170,952,824	333,423,171
Deferred Inflows of Resources					
Deferred Gain on Defined Benefit Pension Plan	31,921,369				
Deferred Grants Received in Advance of Timing	8,109,144				
Total Deferred Inflows of Resources	40,030,513				
NET POSITION					
Net Investment in Capital Assets	1,390,649,474	-38,988,334	3,482,022	1,458,404	2,850,800
Restricted for:					
Nonexpendable	62,187,031	33,640,336	7,961,820		651,193,000
Expendable	25,538,921	55,866,088			636,785,000
Unrestricted	-110,170,271	11,891,318	6,865,936	50,712,033	77,102,200
Total Net Position	$ 1,368,205,155	$ 62,409,408	$ 18,309,778	$ 52,170,437	$ 1,367,931,000

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

EXHIBIT "B"

	Department within the State of Georgia Primary Government	Component Units of the State of Georgia Reporting Entity			
	Georgia Institute of Technology	Georgia Tech Athletic Association	Georgia Tech Facilities, Inc.	Gerogia Tech Research Corp.	Georgia Tech Foundation
OPERATING REVENUES					
Student Tuition and Fees (Net)	$ 353,571,407				
Gifts and Contributions		$ 1,560,420			$ 49,825,000
Grants and Contracts					
Federal	531,410,303			$ 583,309,902	
State	7,803,801			6,973,224	
Other	211,486,429		$ 245,000	64,393,472	
Sales and Services	35,828,457	52,497,464	726	6,940	33,000
Rents and Royalties	400,548	9,691,493	14,276,429	10,991,009	8,310,388
Auxiliary Enterprises					
Residence Halls	73,352,574				
Bookstore	1,942,579				
Food Services	3,428,710				
Parking/Transportation	17,510,067				
Health Services	9,486,035				
Other Organizations	1,935,612				
Other Operating Revenues	9,220,339				
Total Operating Revenues	1,257,376,861	63,749,377	14,522,155	665,674,547	58,168,388
OPERATING EXPENSES					
Salaries					
Faculty	394,337,433				
Staff	340,047,628				3,601,000
Employee Benefits	169,051,230				537,000
Other Personal Services	731,510				69,000
Travel	27,668,992	4,362,161		117,317	99,000
Scholarships and Fellowships	15,162,457	10,412,150			
Utilities	30,150,850				23,000
Supplies and Other Services	358,873,402	18,839,107	797,001	9,619,943	2,378,000
Depreciation	92,614,554	7,366,430	1,662,833	372,528	1,694,000
Other Operating Expenses					2,191,000
Payments to Other Component Units					6,464,000
Payments to or on behalf of College/University		23,772,099	266,350	655,081,431	85,217,000
Total Operating Expenses	1,428,638,056	64,751,947	2,726,184	665,191,219	102,273,000
Operating Income (Loss)	-171,261,195	-1,002,570	11,795,971	483,328	-44,104,612
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	233,201,045				
Grants and Contracts					
Federal	11,696,408				
Gifts	1,721,782	2,943,355			
Investment Income (Endowments, Auxiliary and Other)	16,175,551	-3,520,638	232,521	311,735	-54,314,000
Interest Expense (Capital Assets)	-25,754,187	-12,585,877	-11,705,341		-10,332,000
Other Nonoperating Expenses	-659,494	-1,310,121			
Net Nonoperating Revenues	236,381,105	-14,473,281	-11,472,820	311,735	-64,646,000
Income Before Other Revenues, Expenses, Gains, or Losses	$ 65,119,910	$ -15,475,851	$ 323,151	$ 795,063	$ -108,750,612

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

	Department within the State of Georgia Primary Government	Component Units of the State of Georgia Reporting Entity			
	Georgia Institute of Technology	Georgia Tech Athletic Association	Georgia Tech Facilities, Inc.	Gerogia Tech Research Corp.	Georgia Tech Foundation
Capital Grants and Gifts					
State	$ 12,490,298				
Other	1,170,928				
Additions to Permanent Endowments	79,331	$ 1,878,683	$ 0	$ 0	$ 27,503,000
Total Other Revenues, Expenses, Gains, or Losses	13,740,557	1,878,683	0	0	27,503,000
Increase in Net Position	78,860,467	-13,597,168	323,151	795,063	-81,247,612
Net Position - Beginning of Year - Originally Reported	1,289,344,688	0	0	0	0
Prior Year Adjustments		76,006,576	17,986,627	51,375,374	1,449,178,612
Net Position - Beginning of Year - Restated	1,289,344,688	76,006,576	17,986,627	51,375,374	1,449,178,612
Net Position - End of Year	$ 1,368,205,155	$ 62,409,408	$ 18,309,778	$ 52,170,437	$ 1,367,931,000

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES		
Payments from Customers	$	503,997,113
Grants and Contracts (Exchange)		749,869,266
Payments to Suppliers		-606,404,534
Payments to Employees		-731,660,271
Payments for Scholarships and Fellowships		-15,162,457
Loans Issued to Students		-3,152,420
Collection of Loans to Students		3,538,964
Net Cash Used by Operating Activities		-98,974,339
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		233,201,045
Agency Funds Transactions		2,385,508
Gifts and Grants Received for Other than Capital Purposes		12,897,521
Other Noncapital Financing Receipts		-1,169,370
Net Cash Flows Provided by Noncapital Financing Activities		247,314,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received		12,490,298
Proceeds from Sale of Capital Assets		8,922,958
Purchases of Capital Assets		-111,529,921
Principal Paid on Capital Debt and Leases		-21,745,540
Interest Paid on Capital Debt and Leases		-25,740,015
Net Cash Used by Capital and Related Financing Activities		-137,602,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		16,959,149
Net Increase in Cash		27,697,294
Cash and Cash Equivalents - Beginning of Year		225,786,612
Cash and Cash Equivalents - End of Year	$	253,483,906

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$	-171,261,195
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities		
Depreciation		92,614,554
Change in Assets and Liabilities:		
Receivables, Net		-4,054,909
Inventories		-151,640
Prepaid Items		-4,566,521
Notes Receivable, Net		386,544
Accounts Payable		-3,316,615
Salaries Payable		466,225
Benefits Payable		124,796
Advances (Including Tuition and Fees)		544,427
Other Liabilities		-1,319,490
Compensated Absences		2,258,566
Due to Affiliated Organizations		-57,359
Pollution Remediation		436,705
Net Pension Liability		67,464,314
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		-65,048,266
Deferred Outflows of Resources		-13,494,475
Net Cash Used by Operating Activities	$	-98,974,339

NONCASH ACTIVITY		
Recognition of Non-capital Financing Activities Advances and Deferred Inflows	$	600,000
Reduction of Capital Lease Obligations	$	509,876
Gift of Capital Assets	$	1,170,928
Loss on Disposal of Capital Assets	$	-8,373,980
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	$	-548,978
Accrual of Capital Asset Related Payables	$	-9,605,780
Capital Assets Acquired by Incurring Capital Lease Obligations	$	-11,737,845
Capital Assets Acquired by Incurring Notes Payable	$	-7,761,925
Accrual of Capital Financing Interest Payable	$	-2,083,680
Unrealized Gain/Loss on Investments	$	-783,598

The notes to the financial statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Georgia Institute of Technology (the Institute) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge, and by disseminating knowledge to the people of Georgia and throughout the country.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the Institute is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term and members may be reappointed to subsequent terms by a sitting governor.

The Institute does not have the right to sue/be sued without recourse to the State. The Institute's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the Institute is not legally separate from the State. Accordingly, the Institute is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institute. In addition, the following discretely presented component units of the State have been included since they have been determined to be essential to the fair presentation to these departmental statements: Georgia Tech Foundation, Inc., Georgia Tech Facilities, Inc., Georgia Tech Athletic Association and Georgia Tech Research Corporation. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2016, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The State's CAFR as of and for the year ended June 30, 2016 has not been issued as of the release of this report. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or found at https://sao.georgia.gov/comprehensive-annual-financial-reports.

Georgia Tech Foundation Inc. (the Foundation) is incorporated as a nonprofit organization under the laws of the state of Georgia to promote in various ways the cause of higher education in the state of Georgia, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology, and to aid the Institute in its development as a leading educational institution. Separately issued financial statements can be obtained from the Foundation at the following address: Georgia Tech Foundation, Inc., 760 Spring Street, NW, Suite 400, Atlanta, GA 30308 or found at http://www.gtf.gatech.edu/financial-statements.

Georgia Tech Facilities Inc. (GTFI) is incorporated as a nonprofit organization under the laws of the state of Georgia. The purpose of GTFI is to construct buildings and other facilities as may be appropriate to meet the needs and goals of the Georgia Institute of Technology. GTFI serves as a financing and contracting entity for construction projects on the campus of Georgia Tech, but does not manage buildings after completion. Separately issued financial statements can be obtained from GTFI at the following address: Georgia Tech Facilities, Inc., 221 Uncle Heinie Way, Atlanta GA 30332-0257 or found at http://larm.gatech.edu/georgia-tech-facilities-inc-financial-statements.

Georgia Tech Athletic Association Inc. is incorporated as a nonprofit organization created for the express purpose of aiding the educational programs of the Institute by providing physical training, recreation, and intercollegiate athletic facilities; carrying out its athletic programs; and soliciting gifts and grants solely for the purpose of supporting and enhancing the Institute's varsity athletic programs. Separately issued financial statements can be obtained from the Athletic Association at the following address: Georgia Tech Athletic Association, 150 Bobby Dodd Way, N.W., Atlanta, GA 30332-0455 or found at http://www.fin-services.gatech.edu/affiliated-organization-financial-statements.

Georgia Tech Research Corporation (GTRC) is incorporated as a nonprofit organization and is organized and operated exclusively for scientific, literary, and educational purposes. GTRC serves as the contracting agency for all sponsored research activities at Georgia Tech. Additionally, GTRC assists Georgia Tech in obtaining quality research space, enters in to long-term leases for specialized research equipment and facilities, and conducts other research support programs for Georgia Tech and its affiliated research programs. It also owns all intellectual property created at Georgia Tech and manages patents, copyrights, and licenses. All funds received by GTRC are used to support various Georgia Tech research programs as approved by the Board of Trustees of GTRC. Separately issued financial statements can be obtained from GTRC at the following address: Georgia Tech Research Corporation, 505 10th Street, Atlanta, GA 30318 or found at http://www.gtrc.gatech.edu/financial-information.

See Note 21 for additional information related to Component Units.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the Institute's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The Institute's business-type activities financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-Institution transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2016, the Institute adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements.

For fiscal year 2016, the Institute adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2016, the Institute adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2016, the Institute adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

Cash and Cash Equivalents
Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool and the Board of Regents Short-Term Investment Pool.

Short-Term Investments
Short-Term Investments consist of investments of 90 days – 13 months, which includes certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

Investments
Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The Institute accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. The Board of Regents Diversified Fund and the Georgia Extended Asset Pool are included under Investments for the Institute.

Accounts Receivable
Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institute's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories
Consumable supplies are recorded on the consumption method and are valued at cost on the Statement of Net Position using the average-cost basis. Resale Inventories are valued at cost using the average-cost basis.

Non-current Cash and Investments

Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as noncurrent assets in the Statement of Net Position.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the Institute's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life that meets or exceeds five years. Renovations to buildings, infrastructure, facilities and other improvements, and land improvements that exceed $100,000 and/or 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, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 25 to 75 years for infrastructure, 15 to 50 years for facilities and other improvements, 10 years for library collections, 5 to 10 years for equipment and 10 to 20 years for intangibles. Nonresearch buildings are generally depreciated over 40 to 50 years as indicated above. Research buildings are depreciated by building component such as elevators, general structure, heating, ventilating, and air conditioning, roof, etc. The useful life of these components is generally between 20 and 50 years. Residual values generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions at the Institute, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the Institute. GSFIC issues bonds for and on behalf of the State, pursuant to powers granted to it in the Constitution of the State and the Act creating the GSFIC. These bonds constitute direct and general obligations of the State, to the payment of which the full faith, credit and taxing power of the State are pledged.

Due From USO - Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the University System Office. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the USG has rental obligations under the PPV program. At the conclusion of the Institute's participation in the program, funds will be returned to the Institute. The balance included on the Institute's Statement of Net Position represents the Institute's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net assets by the Institute that are applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans and to add funds to the Institute's campus card, the BuzzCard.

Advances

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

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the Institute acting as an agent, or fiduciary, for another entity. Deposits held for others consist of scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

Pollution Remediation Obligations

Pollution remediation obligations are recorded when the Institute knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for cleanup, calculated using the "expected cash flows" measurement technique.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Position.

Noncurrent Liabilities

Noncurrent liabilities include (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net assets by the Institute that are applicable to a future reporting period.

Pensions and Net Pension Liability

The net pension liability represents the unfunded pension obligation which is the difference between the total pension obligation as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, additions/deductions from fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. For this purpose, benefit payments (including refunds of employees' contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Service Concession Arrangements

Service concession arrangements are arrangements between a government (transferor) and a third party (operator) in which all of the following criteria are met:

a. The Institute conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
b. The operator collects and is compensated by fees from third parties.
c. The Institute has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
d. The Institute is entitled to significant residual interest in the service utility of the asset as the end of the arrangement.

Net Position

The Institute's net position is classified as follows:

Net Investment in Capital Assets: This represents the Institute's total investment in capital assets, net of accumulated amortization/depreciation and reduced by outstanding debt obligations related to those capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in Net Investment in Capital Assets.

Restricted – non-expendable includes 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 be either expended or added to principal. For Institute-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University of Georgia permit each individual Institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted-expendable accounts for expenditure as specified by the purpose of the endowment. The Institute maintains pertinent information related to each endowment fund including donor, amount and date of donation, restrictions by the source of limitations, limitations on investments, etc.

Restricted – expendable includes resources in which the USG is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted – Unrestricted represents 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 Institute, and may be used at the discretion of the Institute to meet current expenses for those purposes, except for unexpended state appropriations (surplus) in the amount of $614,773. Unexpended state appropriations must be refunded to the Office of the State Treasurer. Unrestricted Net Position also includes resources specifically designated by management, such as:

- Auxiliary Enterprises Operations – These resources are used for the continued operation of auxiliary enterprise activities, which are substantially self-supporting business operations conducted on campuses that provide services to students, faculty, and staff.

- Auxiliary Enterprises Renewals and Replacement (R&R) Reserve – These resources can be used for renewals and replacement of capitalizable assets related to auxiliary services. This R&R reserve can also be used for major renovations and rehabilitations for auxiliary projects that do not meet the capitalization threshold.

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

See Note 10, Net Position, for additional information.

Income Taxes

The Institute, as a political subdivision of the State, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and non-operating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.

- Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

- Operating expense includes activities that have the characteristics of exchange transactions.

- Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the Institute, 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 non-governmental programs are recorded as either operating or non-operating revenues in the Institute's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institute has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of $24,046,584 and $22,388,173, respectively.

Changes in Financial Accounting and Reporting

In fiscal year 2016, Georgia Tech Foundation, Inc., Georgia Tech Facilities, Inc., Georgia Tech Athletic Association, and Georgia Tech Research Corporation have been determined to be essential to the fair presentation to these departmental statements resulting in an increase in the beginning net position for the discretely presented component units.

Note 2. Deposits and Investments

Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institute's deposits may not be recovered. Funds belonging to the State of Georgia cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.
   The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2016, the carrying value of deposits was $32,085,387.00 and the bank balance was $38,360,156.00 Of the Institute's deposits, $37,954,304 remained uninsured. Of these uninsured deposits, $33,650,265 were collateralized with securities held by the financial institution's trust department or agent in the Institute's name; none were collateralized with securities not held by the financial institution or by its trust department or agency and not in the Institute's name; and $4,304,039 were above the Federal Deposit Insurance Corporation's (FDIC's) insurance amount and remained uncollateralized.

Reconciliation of Cash and Cash Equivalents Balances to Carrying Value of Deposits:

Business-type Activities:

Statement of Net Position	
Cash and Cash Equivalents	$ 253,383,976
Non-Current Cash and Cash Equivalent	99,930
Total Cash and Cash Equivalents	253,483,906
Less:	
Cash on Hand	-27,075
Investment pool reported as Cash and Cash Equivalent	
Board of Regents Short-Term Fund	-167,839,953
Georgia Fund 1	-53,531,491
Total Carrying Value of Deposits - June 30, 2016	$ 32,085,387

Investments

The Institute maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility each institution has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy, and applicable federal and state laws.

The Institute has adopted GASB No. 72, *Fair Value Measurements and Application,* which requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments.

The following table summarizes the valuation of the Institution's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2016.

Investment Type	Level 1	Level 2	Level 3	See Note 2	Total
BOR Short-Term Pool				$ 222,839,089	$ 222,839,089
Corporate Debt		$ 143,822			143,822
Mutual Funds	$ 7,785,950				7,785,950
Equity Securities	657,683				657,683
GEAP Pool				155,462	155,462
LGIP Pool				53,531,491	53,531,491
Real Estate Held for Investment Purposes			$ 481,110		481,110
Real Estate Investment Trusts	953,501				953,501
U.S. Agencies-Explicitly Guaranteed		2,330			2,330
U.S. Agencies-Implicitly Guaranteed		2,400,198			2,400,198
U.S. Treasuries		4,077,699			4,077,699
Grand Total	$ 9,397,134	$ 6,624,049	$ 481,110	$ 276,526,042	$ 293,028,335

Note 2: The Institute holds a position in an external investment pool that is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The Institute does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Investment classified in Level 1 are valued using prices quoted in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 includes real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the Institute's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares.

Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on their web site at http://www.audits.ga.gov.

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, $1.00 per share, which approximates fair market value. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 42 days.

The Georgia Extended Asset Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which was $1.99 at June 30, 2016. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund as of June 30, 2016 is 0.23 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Institute's policy for managing interest rate risk is to comply with Board of Regent's policy and applicable Federal and State laws.

The Effective Duration of the Short-Term Fund is 0.47 years. Of the Institute's total investment of $167,839,953 in the Short-Term Fund, $167,839,953 is invested in debt securities.

The Effective Duration of the Diversified Fund is 4.64 years. Of the Institute's total investment of $54,199,136 in the Diversified Fund, $19,249,698 is invested in debt securities.

The investments subject to interest rate risk are reflected below:

		Investment Maturity				
Investment Type	Fair Value	Less Than 3 Months	4-12 Months	1 - 5 Years	6 - 10 Years	More Than 10 Years
Debt Securities						
U.S. Treasuries	$ 4,077,699		$ 133,123	$ 2,422,790	$ 1,521,786	
U.S. Agencies						
Explicitly Guaranteed	2,330					$ 2,330
Implicitly Guaranteed	2,400,198	$ 402,587	550,214	728,557	370,076	348,764
Corporate Debt	143,822			82,440	61,382	
Mutual Bond Funds	251,242		4,725	42,707	58,457	145,353
	6,875,291	$ 402,587	$ 688,062	$ 3,276,494	$ 2,011,701	$ 496,447
Other Investments						
Equity Mutual Funds - Domestic	5,524,728					
Equity Mutual Funds - International	2,009,980					
Equity Securities - Domestic	598,937					
Equity Securities - International	58,746					
Real Estate Held for Investment Purposes	481,110					
Real Estate Investment Trust	953,501					
Investment Pools						
Board of Regents						
Short-Term Fund	167,839,953					
Diversified Fund	54,999,136					
Office of the State Treasurer						
Georgia Fund 1	53,531,491					
Georgia Extended Asset Pool	155,462					
Total Investments	$ 293,028,335					

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Institute will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Institute's policy for managing custodial credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which specify how counterparties are selected and how investments are to be held on behalf of the Institute. These policies can be obtained from our website http://bursar.gatech.edu/content/treasury-policies-procedures.

At June 30, 2016, $7,070,009 of the Institute's applicable investments were uninsured and held by the investment's counterparty in the Institute's name and $1,025,536 were uninsured and held by the investment's counterparty's trust department or agent, but not in the Institute's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Institute's policy for managing credit quality risk for investments is an integral part of its current investment policies dated May 16, 2005, which identify approved investment products, and specify the required credit quality, as applicable, for each investment based upon approved credit rating agencies.

The investments subject to credit quality risk are reflected below:

Credit Quality Risk	Fair Value	AAA	AA	A	BBB	Unrated
Related Debt Investments						
U.S. Agency Securities	$ 2,400,197	$ 124,915	$ 2,275,282			
Corporate Debt	143,823		56,812	$ 55,907	$ 31,104	
Mutual Bond Fund	251,242					$ 251,242
	$ 2,795,262	$ 124,915	$ 2,332,094	$ 55,907	$ 31,104	$ 251,242

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Institute's policy for managing concentration credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which overview concentration guidelines not allowing more than 20% of the total investment portfolio to be concentrated in any one other than the U.S. Treasury or other Federal Government agencies.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2016:

	Business Type Activities
Student Tuition and Fees	$ 4,515,259
Auxiliary Enterprises and Other Operating Activities	3,055,374
Federal Financial Assistance	6,282,627
Georgia State Financing and Investment Commission	211,255
Due from Component Units	76,346,229
Other	27,141,559
	117,552,303
Less Allowance for Doubtful Accounts	2,342,813
Net Accounts Receivable	$ 115,209,490

Note 4. Inventories

Inventories consisted of the following at June 30, 2016:

	Business Type Activities
Consumable Supplies	$ 898,852
Merchandise for Resale	84,677
Total Inventories	$ 983,529

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2016. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the Institute for amounts cancelled under these provisions. As the Institute determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The Institute has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2016, the allowance for uncollectible loans was approximately $500,243.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2016:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016
Capital Assets, Not Being Depreciated/Amortized:				
Land	$ 55,768,543	$ 270,000		$ 56,038,543
Capitalized Collections	19,080,036			19,080,036
Construction Work-In-Progress	55,929,185	40,801,948	$ 51,945,886	44,785,247
Total Capital Assets, Not Being Depreciated/Amortized	130,777,764	41,071,948	51,945,886	119,903,826
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	140,298,215	864,345		141,162,560
Building and Building Improvements	1,868,251,585	81,731,259	7,398,888	1,942,583,956
Facilities and Other Improvements	58,867,125	6,924,147		65,791,272
Equipment	518,341,120	46,877,055	35,410,228	529,807,947
Library Collections	126,498,109	6,750,065	2,205,045	131,043,129
Software	1,530,895			1,530,895
Total Capital Assets Being Depreciated/Amortized	2,713,787,049	143,146,871	45,014,161	2,811,919,759
Less: Accumulated Depreciation/Amortization				
Infrastructure	35,676,235	3,509,365		39,185,600
Building and Building Improvements	512,534,001	43,940,757	7,398,888	549,075,870
Facilities and Other Improvements	14,683,675	2,526,741		17,210,416
Equipment	354,436,525	37,503,679	27,036,248	364,903,956
Library Collections	94,537,126	5,057,470	2,205,045	97,389,551
Software	1,454,353	76,542		1,530,895
Total Accumulated Depreciation/Amortization	1,013,321,915	92,614,554	36,640,181	1,069,296,288
Total Capital Assets Being Depreciated/ Amortized, Net	1,700,465,134	50,532,317	8,373,980	1,742,623,471
Capital Assets, Net	$ 1,831,242,898	$ 91,604,265	$ 60,319,866	$ 1,862,527,297

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the Institute when complete. For projects managed by the Institute, the Institute retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2016, GSFIC transferred capital additions valued at $4,651,430 to the Georgia Institute of Technology, which included $4,448,638 of institutional contributions and $202,792 of allotments on a reimbursement basis. In addition, at June 30, 2016, GSFIC had construction-in-progress of approximately $2,116,148 for incomplete projects for the Institute.

Note 7. Advances (Including Tuition and Fees)

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2016:

		Current Liabilities
Prepaid Tuition and Fees	$	22,292,430
Research		194,497
Other - Advances		1,267,980
Totals	$	23,754,907

Note 8. Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance July 1, 2015 (Restated)	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
Leases					
Lease Purchase Obligations	$ 465,022,396	$ 11,737,845	$ 22,255,416	$ 454,504,825	$ 16,868,654
Other Liabilities					
Compensated Absences	43,816,874	36,248,698	33,990,132	46,075,440	31,978,082
Net Pension Liability	275,455,423	67,464,314		342,919,737	0
Notes and Loans Payable	0	7,761,925		7,761,925	349,260
Pollution Remediation	210,333	436,705	210,333	436,705	436,705
Total	319,482,630	111,911,642	34,200,465	397,193,807	32,764,047
Total Long-Term Obligations	$ 784,505,026	$ 123,649,487	$ 56,455,881	$ 851,698,632	$ 49,632,701

Notes and Loans Payable

The Institute entered into a notes payable to secure an Energy Performance Contract. The interest rate for the note is 2.04% and matures during fiscal year 2024. Below is the annual debt service related to the outstanding notes payable at June 30, 2016.

Year Ending June 30:	Principal	Interest
2017	$ 349,260	$ 261,004
2018	1,077,628	142,901
2019	1,099,763	120,766
2020	1,122,354	98,175
2021	1,145,408	75,121
2022 - 2024	2,967,512	83,810
	$ 7,761,925	$ 781,777

Pollution Remediation Obligations

The Institute is responsible for pollution remediation at all Institute sites including, but not limited to ground contamination, storage/treatment/disposal of hazardous materials, and asbestos abatement. Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations. No recoveries from third parties are expected.

Note 9. Service Concession Arrangements

At June 30, 2016, the Institute had no service concession arrangements that met the materiality threshold for discrete financial reporting.

Note 10. Net Position

Net position is reported in the following three categories: Net Investment in Capital Assets, Restricted Nonexpendable, Restricted-Expendable, and Unrestricted.

The amounts within each category at June 30, 2016 were as follows:

		June 30, 2016
Net Investments in Capital Assets	$	1,390,649,474
Restricted for		
Nonexpendable		
Permanent Endowment		62,187,031
Expendable		
Organized Activities		2,027,657
Federal Loans		7,434,607
Institutional Loans		7,693,868
Quasi-Endowments		7,665,625
Capital Projects		717,164
Total Expenable		25,538,921
Unrestricted		
Auxiliary Operations		35,920,516
R & R Reserve		42,168,276
Reserve for Encumbrances		49,084,661
Reserve for Inventory		983,529
Other Unrestricted		-240,603,160
USO Reserve Fund		2,275,907
Total Unrestricted		-110,170,271
TOTAL NET POSITION	$	1,368,205,155

Note 11. Endowments

Donor Restricted Endowments:

Investments of the Institute's endowment funds are pooled, unless required to be separately invested by the donor. For Georgia Tech controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits the Institute to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was $1,126,878 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Institute's endowment funds is predicated on the total return concept. Annual payouts from the Institute's endowment funds are based on a spending policy which limits spending to 3.5% of the endowment's average principal market value over a twelve quarter period calculation. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the Institute uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

Note 12. Broadband Spectrum Lease

In September 2006, Georgia Institute of Technology entered into a 30 year lease agreement with Clearwire Spectrum Holdings II LLC for the lease of excess spectrum capacity on Education Broadband Service licenses currently held by Institute. These licenses were granted to the Institute by the Federal Communications Commission (FCC). The lease agreement requires monthly lease payments over the term of the lease, of which $1,676,400 was recognized during fiscal year 2016 as operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

Note 13. Significant Commitments

See Note 10 for amounts reserved for outstanding encumbrances at June 30, 2016. In addition to these encumbrances, the Institute had other significant unearned, outstanding, construction or renovation contracts executed in the amount of $23,347,591 as of June 30, 2016. This amount is not reflected in the accompanying basic financial statements.

Note 14. Lease Obligations

The Institute is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various fiscal years between 2017 and 2046. Cash payments for fiscal year 2016 were $48,784,059, of which $25,519,855 represented interest and $1,518,664 represented executory costs. Total reduction to capital leases for the fiscal year ended June 30, 2016 was $22,255,416, of which $21,745,540 represented cash payments and $509,876 represented a non-cash reduction. Interest rates range from 1.9 percent to 6.7 percent.

The following schedule is a summary of the carrying values of assets held under capital lease at June 30, 2016:

Description	Gross Amount (+)	Accumulated Depreciation (-)	Net Capital Assets Held Under Capital Lease at June 30, 2016 (=)	Outstanding Balances per Lease Schedules at June 30, 2016
Leased Land and Land Improvements	$ 11,457,418		$ 11,457,418	$ 7,907,812
Leased Infrastructure	39,705,000	$ 12,149,730	27,555,270	35,446,022
Leased Equipment	739,308	480,550	258,758	95,574
Leased Buildings and Building Improvements	531,718,121	122,236,432	409,481,689	410,509,839
Leased Facilities and Other Improvements	679,713	498,320	181,393	545,578
Total Assets Held Under Capital Lease at June 30, 2016	$ 584,299,560	$ 135,365,032	$ 448,934,528	$ 454,504,825

The following schedule lists the pertinent information for each of the Institute's capital leases.

CAPITAL LEASE SCHEDULE

Description	Lessor	Original Principal	Lease Term	Begin	End	Outstanding Principal Balance at June 30, 2016	
Institute of Bioengineering & Biosciences	GTRC	$ 21,560,000	30 years	11/1997	08/2027	$ 12,860,000	(1)
Campus Recreation Center/Parking	GTF	44,980,000	30 years	02/2001	04/2031	31,870,000	(1)
Technology Square Rsch Building	TUFF	76,150,584	29 years	12/2002	12/2031	69,625,247	
Technology Square Complex	GTF	142,298,200	29 years	08/2003	04/2032	98,213,000	(1)
Married Family Housing	GTFI	60,485,000	25 years	10/2005	04/2030	41,870,000	(1)
Molecular Sciences & Engineering	GTFI	75,205,000	35 years	09/2006	06/2041	62,855,548	(1)
Klaus Advanced Computing Parking	GTFI	9,835,000	20 years	10/2005	04/2025	5,805,000	(1)
Electrical Sub Station	GTFI	39,705,000	33 years	10/2007	12/2039	35,446,022	(1)
North Ave Apts (Parking/Dining)	GTFI	82,705,494	25 years	07/2011	06/2036	67,062,942	(1)
Academy of Medicine	GTFI	5,000,000	19 years	02/2012	08/2030	4,231,711	(1)
Carbon Neutral Energy Solutions	GTFI	13,815,000	31 years	10/2011	04/2042	12,914,829	(1)
Library Service Center	EmTech	11,737,845	30 years	11/2015	10/2045	11,654,952	(1)
Hitachi Microscope	SunTrust	739,308	4 years	10/2012	10/2016	95,574	
Total Leases		$ 584,216,431				$ 454,504,825	

(1) Related party capital leases with affiliated organizations.

Operating Leases

The Institute's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2017 through 2038. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet.

Operating lease expenditures totaled $16,457,493 for the fiscal year ended June 30, 2016, which includes payments to related parties of $13,230,741. Those related parties include Georgia Tech Research Corporation (GTRC), Georgia Tech Foundation (GTF), and Georgia Advanced Technology Ventures (GATV), Inc. and its subsidiaries. The Institute is obligated to pay these related parties a total of $14,221,039 in the next fiscal year.

Future Commitments

Future commitments for capital leases (which include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2016, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2017	$ 43,482,892	$ 18,535,923
2018	43,560,732	20,223,902
2019	43,795,403	30,161,513
2020	44,133,967	29,010,057
2021	44,318,098	28,248,938
2022 - 2026	216,845,648	133,899,174
2027 - 2031	208,200,181	93,448,206
2032 - 2035	74,933,458	39,876,318
2037 - 2041	47,936,844	1,819,992
2042 - 2046	6,211,502	
Total Minimum Lease Payments	773,418,725	$ 395,224,023
Less: Interest	281,281,399	
Less: Executory Cost (if paid)	37,632,501	
Principal Outstanding	$ 454,504,825	

Note 15. Retirement Plans

The Institute participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS), which are both Defined Benefit Retirement Plans. These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

In addition to the retirement plans administered by TRS and ERS, USG administers the Regents Retirement Plan as an optional retirement plan.

The significant retirement plans that the Institute participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

Summary of Significant Accounting Policies

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and Employees' Retirement System (ERS), additions to/deductions for TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teachers Retirement System

Plan description: All teachers of the Institute as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016.

The Institute's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual Institute payroll. Institute contributions to TRS were $35,868,907 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

General Information about the Employees' Retirement System

Plan description: ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the Old Plan, New Plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Institute's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old plan members, 24.72% for new plan members and 21.69% for GSEPS members. The Institute's contributions to ERS totaled $333,318 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2016, the Institute reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Institute's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015. At June 30 2015, the Institute's TRS proportion was 2.24%, which was an increase of 0.074% from its proportion measured as of June 30, 2014. At June 30, 2015, the Institute's ERS proportion was 0.05%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Institute recognized pension expense of $25,995,282 for TRS and $189,935 for ERS. At June 30, 2016, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 2,999,387		$ 15,233
actual earnings on pension plan investments		28,764,821		137,561
Changes in proportion and differences between Institute contributions and proportionate share of contributions	$ 14,758,925		$ 49,497	4,367
Institute contributions subsequent to the measurement date	35,868,907		322,800	
Total	$ 50,627,832	$ 31,764,208	$ 372,297	$ 157,161

Institute contributions subsequent to the measurement date of $35,868,907 for TRS and $333,318 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2017	$ -10,298,411	$ -24,884
2018	$ -10,298,411	$ -67,847
2019	$ -10,298,433	$ -61,314
2020	$ 13,550,062	$ 46,381
2021	$ 339,910	

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.
The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Employees' Retirement System

Inflation	3.00%
Salary increases	5.45 – 9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS and ERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate: The following presents the Institute's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Institute's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Institute's proportionate share of the net pension liability	$ 586,005,384	$ 341,013,190	$ 139,081,328

Employees' Retirement System:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Institute's proportionate share of the net pension liability	$ 2,702,599	$ 1,906,547	$ 1,227,882

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs, respectively.

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The Institute makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2016, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institute and the covered employees made the required contributions of $32,455,497 (9.24%) and $21,088,857 (6%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 16. Risk Management

The USG offers its employees and retirees under the age of 65 access to four different healthcare plan options. For the USG's Plan Year 2016, the following healthcare plan options were available:

- BlueChoice HMO
- Comprehensive Care
- Consumer Choice HSA
- Kaiser Permanente HMO

The Institute, participating employees and retirees pay premiums to the healthcare plan options to access benefits coverage. The respective health plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the USG share the risk of loss for claims associated with the self-insured plans including the BlueChoice HMO, Comprehensive Care, and Consumer Choice HSA Plan.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree healthcare exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to serve as the claims administrator for the self-insured healthcare plans. In addition to the self-insured healthcare plan options offered to the employees of the USG, fully insured HMO healthcare plan are also offered to System employees.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The Institute, as an organizational unit of the Board of Regents of the University System of Georgia, is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 17. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institute expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the Institute (an organizational unit of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Note 18. Post-Employment Benefits Other Than Pension Benefits

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The Institute pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2016, there were 1,949 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2016, the Institute recognized as incurred $8,647,416 of expenditures, which was net of $2,115,911 of participant contributions.

Note 19. Natural Classifications with Functional Classifications

The Institute's operating expenses by functional classification for fiscal year 2016 are shown below:

Natural Classification	Functional Classification				
	Instruction	Research	Public Service	Academic Support	Student Services
Salaries					
Faculty	$ 121,876,769	$ 249,915,553	$ 10,097,834	$ 7,024,686	$ 841,843
Staff	65,235,329	115,356,909	20,708,589	20,550,317	14,021,266
Employee Benefits	45,668,352	80,427,048	7,901,208	7,501,373	3,498,329
Other Personal Services	59,440	33,621	572,503	16,773	35,209
Travel	5,145,117	18,920,671	1,169,699	757,308	408,208
Scholarships and Fellowships					
Utilities	325,459	2,249,811	208,065	48,453	20,112
Supplies and Other Services	32,352,546	162,487,923	10,831,834	9,138,039	12,136,243
Depreciation	9,960,014	42,169,504	474,983	7,190,779	2,339,732
Total Operating Expenses	$ 280,623,026	$ 671,561,040	$ 51,964,715	$ 52,227,728	$ 33,300,942

Natural Classification	Functional Classification				
	Institutional Support	Plant Operations and Maintenance	Scholarships and Fellowships	Auxiliary Enterprises	Total Operating Expenses
Salaries					
Faculty	$ 3,982,112	$ 594,191		$ 4,445	$ 394,337,433
Staff	50,568,926	30,986,890		22,619,402	340,047,628
Employee Benefits	8,626,474	9,044,104		6,384,342	169,051,230
Other Personal Services	11,002	541		2,421	731,510
Travel	900,857	135,748		231,384	27,668,992
Scholarships and Fellowships			$ 15,162,457		15,162,457
Utilities	83,164	16,992,881		10,222,905	30,150,850
Supplies and Other Services	6,701,325	87,469,251		37,756,241	358,873,402
Depreciation	11,741,785	6,554,967		12,182,790	92,614,554
Total Operating Expenses	$ 82,615,645	$ 151,778,573	$ 15,162,457	$ 89,403,930	$ 1,428,638,056

Note 20. Subsequent Events

On May 19, 2015 the Board of Regents of the University System of Georgia (BOR) approved a lease agreement for the High Performance Computing Center (HPCC) Facility. In this agreement, the Institute proposes to lease approximately 340,000 rentable square feet as anchor tenant in a new real estate development project to be located in Technology Square. The mixed-use office, computing center and retail complex will be programmed around a high performance computing innovation ecosystem that integrates the existing assets of Technology Square with new opportunities in interdisciplinary research, commercialization and sustainability. The building will house Institute administrative and research computing operations. On December 30, 2015, the BOR entered into two operating leases on behalf of Georgia Tech with PH Tech LLC for 50% of the space. Subject to Institute approval, PH Tech LLC will design, construct, finance and own the project. PH Tech LLC will also lease the remaining building space to commercial companies meeting specific criteria as outlined in the leases. The leases are for ten year terms with five renewal periods and rental payments expected to begin in early 2019. The Institute will pay an estimated total rent of $144,134,381 over a fifteen year period, with the first year’s annual rental payment estimated to be $7,995,108. On June 30, 2016, the Board of Regents entered into an operating lease on behalf of Georgia Tech with Next Tier HPCC Development LLC for development of the data center for the HPCC facility. The lease is for a fifteen year term with rental payments expected to begin in early 2019. The Institute will pay an estimated total rent of $43,681,013 over a fifteen year period, with the first year’s annual rental payment estimated to be $2,412,000. The future rental payments for these leases have been included in the Future Commitments section for operating leases in Note 14 (Lease Obligations). The Georgia Tech Foundation (The “Foundation”) intends to enter into a ground lease with PH Tech LLC in fiscal year 2017 with terms to be negotiated by the Foundation. The Foundation also intends to enter into a lease for the air rights component of the data center with Next Tier HPCC Development LLC in fiscal year 2017 with terms to be negotiated by the Foundation.

On March 25, 2016 the Board of Regents of the University System of Georgia (BOR) amended the agreement with Sodexho Management, Inc., dated July 1, 2009, for operation and management of the Institute’s food services operations in Atlanta, Georgia. Per the amendment, Sodexho will make an additional annual capital investment of $1,200,000 beginning September 1, 2017 to reimburse the Institute for construction of the West Campus Dining Facility. Sodexho will make a capital investment of $1,200,000 on July 1 for each contract renewal year up to nine additional years for a total $12,000,000 investment. In case of early termination of the contract for other than breach or default by Sodexho, Georgia Tech shall require the successor contractor to reimburse Sodexho for the unamortized portion of the capital investment. Although this contract qualifies as a Service Concession Arrangement, it does not meet the materiality threshold of 3% of Net Position to qualify for discrete financial reporting.

Note 21. Component Units

Georgia Tech Foundation, Inc.

Georgia Tech Foundation (the Foundation) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Institute in support of its programs. Although the Institute is not fiscally accountable for the Foundation, the nature and significance of the relationship between the Institute and the Foundation is such that exclusion from these departmental financial statements would render them misleading.

The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During fiscal year 2016, the Foundation distributed approximately $78.0 million to the Institute for restricted and unrestricted purposes. Note 14 of this financial report provides information on related party leases between the Foundation and the Institute.

Investments for Component Units:

The Foundation holds investments totaling $1.390 billion as of June 30, 2016, of which $606.7 million is the corpus of the endowment (permanently restricted). The corpus is nonexpendable, but the earnings on the investments may be spent in accordance with donor restrictions or in accordance with the Foundation's spending policy. The Foundation has established a spending policy in which up to 6% of the twelve (12) quarter average market value of the endowment funds are allocated from the earnings for expenditure. In fiscal year 2016, the Foundation allocated 5% of that average. The donor-restricted endowment balance as of June 30, 2016 is $1.065 billion and the amount of net appreciation available for authorization for expenditure by the governing board is $224.0 million.

A summary of investments at June 30, 2016 follows:

	Fair Market Value
Money Market Accounts	$ 47,395,000
Bonds and Bond Funds	157,236,000
Equity Securities	850,536,000
Real Estate and Real Estate Funds	60,059,000
Hedge Funds	310,724,000
Natural Resources	62,535,000
Subtotal	1,488,485,000
Less pooled investments held for other Component Units	-98,449,829
Total Investments	1,390,035,171

Endowments for Component Units:

Changes in the endowment net position for the year ended June 30, 2016 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning	$ 197,563,000	$ 542,220,000	$ 576,052,000	$ 1,315,835,000
Contributions	2,777,000	1,437,000	35,155,000	39,369,000
Net realized and unrealized gains	-11,159,000	-35,746,000	-1,594,000	-48,499,000
Appropriation of endowment assets for expenditure	-12,051,000	-47,335,000		-59,386,000
Other			-2,923,000	-2,923,000
Ending	$ 177,130,000	$ 460,576,000	$ 606,690,000	$ 1,244,396,000

Capital Assets for Component Units:

The Foundation held the following Capital Assets at June 30, 2016:

Capital Assets, Not Being Depreciated:		
Land (and other assets)	$	2,553,000
Capital Assets, Being Depreciated:		
Building and Building Improvements		38,066,000
Machinery and Equipment		10,442,000
Total Assets Being Depreciated		48,508,000
Less: Accumulated Depreciation:		
Total Accumulated Depreciation		17,893,000
Total Capital Assets, Being Depreciated, Net		30,615,000
Capital Assets, Net	$	33,168,000

Commitments Payable to other Component Units and Affiliates:

During 2010, the Foundation agreed to guarantee and pay, through a commitment of support, a $10.6 million bond obligation (2010B Bond) issued by the Georgia Tech Facilties, Inc. (GTFI) during 2010 to refund the 2008C Bonds that were used to finance campus construction and the purchase of campus real estate as well as to provide funds in the amount of $1.6 million, to terminate an interest rate swap assocated with the 2008C Bonds. The bonds mature on November 1, 2027 and require mandatory principal and interest payments until maturity. At June 30, 2016, GTFI had $7.7 million outstanding on the 2010B Bond, including accrued interest.

In June 2002, the Georgia Tech Athletic Association (the Athletic Association) executed a promissory note to the Foundation for $1.08 million at an interest rate of 5.07% with payments to be made through September 1, 2027. The Foundation has recorded a note receivable (included in other assets) for the Athletic Association that totals $679 thousand as of June 30, 2016.

In June 2004, the Foundation entered into an agreement with the Athletic Association, whereby the Athletic Association commited to pay the Foundation $137 thousand per year as long as the GTFI's 1997A (now 2010B) Bond is outstanding. The payments received were ued to pay GTFI for a portion of the commitment to fund the 2010B bond. The payments remaining to be received total $1.6 million as of June 30, 2016. The Foundation has recorded a contribution receivable, discounted to give effect to the future cash flows form the Athletic Association, in the amount of $1.2 million as of June 30, 2016.

Long-term Liabilities for Component Units:

Changes in Long-Term Liabilities for the Foundation for the fiscal year-ended June 30, 2016 are shown below:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
Compensated Absences	$ 342,180	239,359	207,139	374,400	374,400
Liabilities under split interest agreement	11,435,000	1,065,000	-1,016,000	13,516,000	2,095,000
Notes and Loans Payable	40,498,000	4,383,000	13,651,000	31,230,000	31,230,000
Revenue/Mortgage Bonds Payable	225,195,000	1,817,000	542,000	226,470,000	10,295,000
Bond - (Discount)	-15,000	-33	-2,333	-12,700	
Bond - Premium	13,919,595		1,856,895	12,062,700	
Total Long-Term Liabilities	$ 291,374,775	$ 7,504,326	$ 15,238,701	$ 283,640,400	$ 43,994,400

Notes and Loans Payable:

The Foundation guaranteed three $10.0 million lines of credit in the name of the Georgia Tech Foundation Funding Corporation (GTFFC). The Foundation had two lines of credit totaling $15.0 million and $20.0 million in the name of the Foundation in 2016 and 2015 respectively. Interest is calculated using 30-day LIBOR which resulted in an average effective interest rate of 1.05% at June 30, 2016. The Foundation expects to renew each line of credit prior to expiration.

In September 2012, the Foundation approved a grant to the Institute for the construction of the Engineered Biosystems Building (EBB) on the Institute's campus for an amount not to exceed $35.5 million. In October 2012, the Foundation established a non-revolving line of credit with a bank (GTFFC-EBB) in the amount of $35.5 million to fund the grant to the Institute for the construction of the EBB. The line of credit was renewed in October 2014 in the amount of $28.5 million. The cumulative amount advanced and the amount available for loans was $28 million and $502 thousand, respectively, as of June 30, 2016. The amount due to the bank will be reduced with gifts received for the EBB and other support received from affiliated organizations. Interest is calculated using 30-day LIBOR, resulting in an effective interest rate of 0.93% at June 30, 2016.

Lines of credit as of June 30, 2016 consist of the following:

Borrowing Entity	Maturity	Line of Credit Limit	Outstanding at June 30, 2016
GTFFC	April 2017	$ 10,000,000	$ 6,500,000
GTFFC	Nov. 2017	$ 10,000,000	6,500,000
GTFFC	June 2017	$ 10,000,000	7,540,000
GTF - working capital	Nov. 2016	$ 10,000,000	
GTF - working capital	June 2017	$ 5,000,000	
GTF - EBB	Oct. 2016	$ 28,500,000	10,690,000
			$ 31,230,000

Revenue Bonds Payable:

Campus Recreation Center Bonds
In May 2001, Series 2001A Bonds were issued to provide funds to finance the costs of construction of the Campus Recreation Center (CRC), a facility that has been constructed on the Institute's campus. During November 2011, Series 2011A and Series 2011B Bonds were issued to refund the outstanding principal amount of $36.8 million of the Series 2001A Bonds, pay certain costs of issuance, and finance a portion of the termination of an interest rate swap related to the Series 2001A Bonds.

The 2011A Bond was issued with a bond premium of $4.8 million, which is being amortized and had a balance of $3.2 million as of June 30, 2016.

Technology Square Bonds
In January 2002, Series 2002A and Series 2002B bonds were issued to provide funds to finance the costs of the acquisition, construction, and development on the Institute's campus known as Technology Square. Technology Square includes the college of business building, a hotel and conference center, a global learning center, a parking deck, an economic development building, retail space, and a bookstore. During April 2012, the Foundation refunded the outstanding principal amount of $91.5 million of the Series 2002A Bonds with proceeds received from the issuance of the Series 2012A Bonds. During April 2012, the Foundation borrowed $21.5 million in Series 2012B Bonds to finance a portion of the termination of an interest rate swap related to the Series 2002 Bonds and pay certain costs of issuance.

The 2012A Bond was issued with a bond premium of $12.8 million, which is being amortized and had a balance of $8.9 million as of June 30, 2016.

Series 2009 and 2016 Bonds
In 2009, the Series 2009A and Series 2009B Bonds were issued to provide funds to refinance a portion of the lines of credit and to refund the costs of acquisition of three properties adjacent or close to the Institute's campus.

In May 2016, taxable Series 2016 Bonds (2016 Bonds) were issued for the purpose of advance refunding of the Series 2009A Bonds, fund capitalized interest, pay certain costs to issue, to reimburse the Foundation for costs incurred for site improvements and acquisition of certain property to be developed, the demolition of the buildings and other structures located on such property, and professional and permitting fees related to such property. The bonds are general unsecured obligations of the Foundation. A portion of the proceeds from the issuance were required to be held as restricted cash to fund capitalized interest and costs of issuance. As of June 30, 2016, the balance of the restricted cash was $2.2 million. Approximately $21.5 million of the proceeds from the issuance of 2016 Bonds was placed in escrow in order to refund and extinguish the Series 2009A Bonds. In connection with the issuance of the 2016 Bonds, the Foundation incurred an accounting loss of $2.2 million related to early extinguishment of the Series 2009A Bonds.

Annual debt service requirements to maturity for Georgia Tech Foundation's revenue bonds payable are as follows:

		Bonds Payable		
Year Ending June 30:	Year	Principal	Interest	Total
2017	1	$ 10,295,000	$ 11,172,581	$ 21,467,581
2018	2	10,725,000	10,810,881	21,535,881
2019	3	11,225,000	10,303,763	21,528,763
2020	4	11,830,000	9,704,160	21,534,160
2021	5	12,585,000	9,028,704	21,613,704
2022 - 2026	6-10	67,600,000	34,348,577	101,948,577
2027 - 2031	11-15	69,975,000	16,482,462	86,457,462
2032 - 2036	16-20	15,475,000	3,896,884	19,371,884
2037 - 2041	21-25	5,285,000	2,738,659	8,023,659
2042 - 2046	26-30	7,285,000	1,539,602	8,824,602
2047 - 2051	31-35	4,190,000	197,915	4,387,915
Total		226,470,000	110,224,188	336,694,188
Bond Premium		12,062,700		12,062,700
Bond (Discount)		-12,700		-12,700
		$ 238,520,000	$ 110,224,188	$ 348,744,188

Georgia Tech Facilities, Inc.

Georgia Tech Facilities, Inc. (GTFI) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. GTFI constructs buildings and other structures for use by the Institute. The nature and significance of the relationship between the Institute and GTFI is such that exclusion from these departmental financial statements would render them misleading.

GTFI is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. GTFI's fiscal year is July 1 through June 30.

During fiscal year 2016, GTFI distributed approximately $266 thousand to the Institute for restricted and unrestricted purposes. Note 14 of this financial report provides information on related party leases between the GTFI and the Institute.

Capital Assets for Component Units:

Georgia Tech Facilities, Inc. held the following Capital Assets at June 30, 2016:

Capital Assets, Not Being Depreciated:		
Land (and other assets)	$	3,358,560
Construction in Progress		3,457
Total Capital Assets, Not Being Depreciated		3,362,017
Capital Assets, Being Depreciated/ Amortized:		
Building and Building Improvements		1,200,000
Less: Accumulated Depreciation/ Amortization:		
Total Accumulated Depreciation/ Amortization		1,080,000
Total Capital Assets, Being Depreciated/ Amortized, Net		120,000
Capital Assets, Net	$	3,482,017

Long-term Liabilities for Component Units:

Changes in long-term liabilities for Georgia Tech Facilities, Inc. for the fiscal year-ended June 30, 2016 are shown below:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	One Year
Revenue/Mortgage Bonds Payable	$ 275,964,180	$ 0	$ 10,200,198	$ 265,763,982	$ 10,393,793
Bond - (Discount)	-12,714		-489	-12,225	
Bond - Premium	11,007,456		733,546	10,273,910	
Total Long-Term Liabilities	$ 286,958,922	$ 0	$ 10,933,255	$ 276,025,667	$ 10,393,793

Revenue Bonds Payable:

Georgia Tech Facilities, Inc. has twelve bond issues outstanding with balances totaling $265.8 million. The proceeds from the bond issues were used to acquire or construct (for the benefit of the Institute) the Molecular Science and Engineering Building, the Electrical Substation and System, the North Avenue Apartments, Bioengineering and Bioscience Buildings, Carbon Neutral Energy Solutions Laboratory, North Avenue Apartments Dining Hall, 14th Street Building, Wardlaw/Habersham/Success Center, Academy of Medicine and Married Family Housing.

Annual debt service requirements to maturity for Georgia Tech Facilities Inc. revenue bonds payable are as follows:

		Bonds Payable		
Year Ending June 30:	Year	Principal	Interest	Total
2017	1	$ 10,393,793	$ 12,118,794	$ 22,512,587
2018	2	10,844,810	11,661,095	22,505,905
2019	3	11,403,267	11,165,201	22,568,468
2020	4	12,077,184	10,633,391	22,710,575
2021	5	12,039,582	10,091,496	22,131,078
2022 - 2026	6-10	67,951,198	41,757,344	109,708,542
2027 - 2031	11-15	69,179,148	25,683,268	94,862,416
2032 - 2039	16-20	37,090,000	13,129,344	50,219,344
2037 - 2041	21-25	34,785,000	4,756,413	39,541,413
		265,763,982	140,996,346	406,760,328
Bond Premium		10,273,910		10,273,910
Bond (Discount)		-12,225		-12,225
		$ 276,025,667	$ 140,996,346	$ 417,022,013

Georgia Tech Athletic Association

Georgia Tech Athletic Association (the Athletic Association) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. The Athletic Association administers the Institute's intercollegiate athletics program, including fund-raising to support scholarships. The nature and significance of the relationship between the Institute and the Athletic Association is such that exclusion from these departmental financial statements would render them misleading.

The Athletic Association's fiscal year is July 1 through June 30.

During the year ended June 30, 2016, the Athletic Association distributed approximately $1.9 million to the Institute for athletic scholarship support and other payments that were either expense reimbursements or support for Institute programs.

Investment for Component Units:

The Athletic Association’s investments are pooled with and managed by Georgia Tech Foundation, Inc.

Capital Assets for Component Units:

Georgia Tech Athletic Association had the following Capital Assets activity for the year ended June 30, 2016:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016
Capital Assets, Not Being Depreciated:				
Land (and other assets)	$ 9,025,000	$ 3,283,136		$ 12,308,136
Construction Work-In-Progress	340,499	75,763	$ 340,499	75,763
Total Capital Assets, Not Being Depreciated	9,365,499	3,358,899	340,499	12,383,899
Capital Assets, Being Depreciate/ Amortized:				
Building and Building Improvements	214,837,919	804,318	0	215,642,237
Facilities and Other Improvements	225,445	67,799		293,244
Equipment	10,113,155	14,195		10,127,350
Total Assets Being Depreciated/ Amortized	225,176,519	886,312	0	226,062,831
Less: Accumulated Depreciation/ Amortization:				
Building and Building Improvements	58,861,405	6,784,031	0	65,645,436
Facilities and Other Improvements	30,848	19,475		50,323
Equipment	4,697,051	562,924		5,259,975
Total Accumulated Depreciation	63,589,304	7,366,430	0	70,955,734
Total Capital Assets, Being Depreciated/ Amortized, Net	161,587,215	-6,480,118	0	155,107,097
Capital Assets, Net	$ 170,952,714	$ -3,121,219	$ 340,499	$ 167,490,996

Long-term Liabilities for Component Units:

Changes in Long-Term Liabilities for Georgia Tech Athletic Association for the fiscal year-ended June 30, 2016 are shown below:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
Lease Purchase Obligations	$ 116,298	$ 0	$ 56,731	$ 59,567	$ 59,567
Notes and Loans Payable	7,907,437		939,469	6,967,968	941,467
Revenue/Mortgage Bonds Payable	212,935,000		1,010,000	211,925,000	1,050,000
Bond - Premium	9,767,006		654,206	9,112,800	
Bond - (Discount)	-1,786,239		-69,594	-1,716,645	
Total Long-Term Liabilities	$ 228,939,502	$ 0	$ 2,590,812	$ 226,348,690	$ 2,051,034

Capital Lease Obligations:

The Athletic Association entered into two lease agreements for turf and irrigation equipment. Capital Lease Obligations outstanding at June 30, 2016 are shown below:

Year ending June 30:	Year	
2017	1	$ 59,567
Total minimum lease payments		59,567
Less: Interest		0
Less: Executory costs (if paid)		0
Principal Outstanding		$ 59,567

Notes and Loans Payable:

The Athletic Association incurred an unsecured note payable representing an obligation to Georgia Tech Foundation, Inc. with respect to the William C. Wardlaw Center.

On July 30, 2013, Georgia Tech Athletic Association, Inc., purchased property from Georgia Tech Foundation, Inc., to be used for the benefit of the golf program. The property was purchased using a 10-year, unsecured Term loan issued by SunTrust bank in the amount of $9.0 million. The terms of the loan are interest of 30-Day LIBOR plus 1.85% due quarterly plus principal payments of $900 thousand due annually.

Annual debt service requirements to maturity for the Athletic Association's note payable are as follows:

		Notes and Loans Payable		
Year Ending June 30:	Year	Principal	Interest	Total
2017	1	$ 941,467	$ 32,687	$ 974,154
2018	2	943,965	30,542	974,507
2019	3	945,963	28,285	974,248
2020	4	948,461	25,915	974,376
2021	5	950,959	23,419	974,378
2022 - 2026	6-10	2,096,264	74,993	2,171,257
2027	11	140,888	7,359	148,247
		$ 6,967,967	$ 223,200	$ 7,191,167

Revenue Bonds Payable:

In January of 2011, the Development Authority of Fulton County issued Georgia Tech Athletic Association Revenue Bonds, Series 2011 with a par value of $88.8 million to finance the construction of the McCamish Pavilion basketball coliseum and the Mary R. and John F. Brock III Football Facility as well as to refinance the $20.9 million principal outstanding on the series 2008A bonds. This is a fixed rate, tax exempt bond issuance. The bonds were marketed at an All-In Total Interest Cost of 5.939%.

In February of 2012, the Development Authority of Fulton County issued Georgia Tech Athletic Association Revenue Bonds, Series 2012A with a par value of $97.9 million. This bond issuance refinanced the remaining $94.3 million principal outstanding on the Series 2001 bonds. This bond issuance also financed the construction of the Ken Byers Tennis Complex. This is a fixed rate, tax exempt bond issuance. Also in February of 2012, the Development Authority of Fulton County issued Georgia Tech Athletic Association Revenue Bonds, Series 2012B with a par value of $26.6 million. This bond issuance funded the termination of the swaption that the Association entered into in 2003. This is a fixed rate, taxable bond issuance. The bonds were marketed at an All-In Total Interest Cost of 4.144%.

Annual debt service requirements to maturity for the Georgia Tech Athletic Association revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2017	1	$ 1,050,000	$ 10,954,986	$ 12,004,986
2018	2	1,105,000	10,907,805	12,012,805
2019	3	1,145,000	10,861,700	12,006,700
2020	4	31,190,000	10,103,481	41,293,481
2021	5	1,235,000	9,340,333	10,575,333
2022 - 2026	6-10	38,925,000	40,402,499	79,327,499
2027 - 2031	11-15	22,885,000	34,328,961	57,213,961
2032 - 2036	16-20	36,280,000	26,111,098	62,391,098
2037 - 2041	21-25	51,850,000	14,309,238	66,159,238
2042 - 2046	26-27	26,260,000	1,366,381	27,626,381
		211,925,000	168,686,482	380,611,481
Bond Premium		9,112,801		9,112,801
Bond (Discount)		-1,716,645		-1,716,645
		$ 219,321,156	$ 168,686,482	$ 388,007,637

Georgia Tech Research Corporation

Georgia Tech Research Corporation and its subsidiary Georgia Tech Applied Research Corporation (referred to in the singular as GTRC in this document), are legally separate, tax-exempt component units of the State of Georgia reporting entity. GTRC functions as the prime contractor for most sponsored research conducted at Georgia Tech and subcontracts with the Institute for faculty and staff services. Although the Institute is not fiscally accountable for GTRC, the nature and significance of the relationship between the Institute and GTRC is such that exclusion from these departmental financial statements would render them misleading.

The Georgia Tech Research Corporation's fiscal year is July 1 through June 30.

During fiscal year 2016, GTRC incurred expenses of approximately $655.0 million to the Institute for restricted and unrestricted grants and contract sub-awarded to the Institute. Included in that amount is $76.0 million payable to the Institute at June 30, 2016.

Capital Assets for Component Units:

Georgia Tech Research Corporation had the following Capital Assets activity for the year ended June 30, 2016:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016
Capital Assets, Not Being Depreciated:				
Capitalized Collections	$ 240,735	$ 0		$ 240,735
Construction Work-In-Progress	87,580		$ 87,580	0
Total Capital Assets, Not Being Depreciated	328,315	0	87,580	240,735
Capital Assets, Being Depreciated/ Amortized:				
Building and Building Improvements	738,766	152,824		891,590
Equipment	944,595	101,451		1,046,046
Software	1,298,479	7,500	48,306	1,257,673
Total Assets Being Depreciated/ Amortized	2,981,840	261,775	48,306	3,195,309
Less: Accumulated Depreciation/ Amortization:				
Building and Building Improvements	224,923	89,954	0	314,877
Equipment	574,469	137,641		712,110
Software	805,720	144,933		950,653
Total Accumulated Depreciation/ Amortization	1,605,112	372,528	0	1,977,640
Total Capital Assets, Being Depreciated/ Amortized, Net	1,376,728	-110,753	48,306	1,217,669
Capital Assets, Net	$ 1,705,043	$ -110,753	$ 135,886	$ 1,458,404

Long-term Liabilities for Component Units:

Changes in Long-Term Liabilities for Georgia Tech Research Corporation for the fiscal year-ended June 30, 2016 are shown below:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	One Year
Lease Obligations (Capital)	$ 5,800,000	$ 0	$ 367,488	$ 5,432,512	$ 343,977

Capital Lease Obligations:

The Georgia Tech Research Corporation capital lease consisted of research equipment used by Georgia Tech.

Year ending June 30:	Year		
2017	1	$	343,977
2018	2		5,088,535
Total minimum lease payments			5,432,512
Less: Interest			0
Less: Executory costs (if paid)			0
Principal Outstanding		$	5,432,512

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE "1"

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2016	2.24%	$ 341,013,190	$ 236,515,744	144.18%	81.44%
June 30, 2015	2.17%	$ 273,684,569	$ 221,162,197	123.75%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE "2"

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2016	0.05%	$ 1,906,547	$ 1,206,149	158.07%	76.20%
June 30, 2015	0.05%	$ 1,770,854	$ 1,094,942	161.73%	77.99%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE "3"

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
June 30, 2016	$ 35,868,907	$ 35,868,907	$ 0	$ 251,089,879	14.29%
June 30, 2015	$ 31,122,618	$ 31,122,618	$ 0	$ 236,515,744	13.16%
June 30, 2014	$ 27,139,593	$ 27,139,593	$ 0	$ 221,162,197	12.27%
June 30, 2013	$ 24,374,980	$ 24,374,980	$ 0	$ 213,368,556	11.42%
June 30, 2012	$ 21,634,408	$ 21,634,408	$ 0	$ 210,451,440	10.28%
June 30, 2011	$ 21,318,703	$ 21,318,703	$ 0	$ 207,380,379	10.28%
June 30, 2010	$ 20,356,273	$ 20,356,273	$ 0	$ 208,996,643	9.74%
June 30, 2009	$ 19,485,389	$ 19,485,389	$ 0	$ 209,971,864	9.28%
June 30, 2008	$ 18,963,675	$ 18,963,675	$ 0	$ 204,349,946	9.28%
June 30, 2007	$ 18,025,456	$ 18,025,456	$ 0	$ 194,239,828	9.28%

SCHEDULE "4"

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
June 30, 2016	$ 333,318	$ 333,318	$ 0	$ 1,337,706	24.92%
June 30, 2015	$ 265,180	$ 265,180	$ 0	$ 1,206,149	21.99%
June 30, 2014	$ 196,257	$ 196,257	$ 0	$ 1,094,942	17.92%
June 30, 2013	$ 153,729	$ 153,729	$ 0	$ 1,038,464	14.80%
June 30, 2012	$ 105,626	$ 105,626	$ 0	$ 900,481	11.73%
June 30, 2011	$ 76,280	$ 76,280	$ 0	$ 732,757	10.41%
June 30, 2010	$ 62,649	$ 62,649	$ 0	$ 601,816	10.41%
June 30, 2009	$ 59,534	$ 59,534	$ 0	$ 568,957	10.46%
June 30, 2008	$ 59,300	$ 59,300	$ 0	$ 567,198	10.45%
June 30, 2007	$ 57,305	$ 57,305	$ 0	$ 548,801	10.44%

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Employees' Retirement System

Changes of assumptions: There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25% for FY2014+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

SCHEDULE "6"

GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2016

ASSETS		
Cash and Cash Equivalents	$	76,426,343.78
Investments		155,375.91
Accounts Receivable		
Federal Financial Assistance		63,582,542.77
Other		40,511,022.10
Prepaid Expenditures		7,970,470.06
Inventories		301,975.81
Total Assets	$	188,947,730.43
LIABILITIES AND FUND EQUITY		
Liabilities		
Encumbrances Payable	$	39,047,921.33
Accounts Payable		64,910,713.10
Deferred Revenue		31,166,401.57
Other Liabilities		114,452.40
Total Liabilities		135,239,488.40
Fund Balances		
Reserved		
Department Sales and Services		9,771,676.97
Indirect Cost Recoveries		39,734,841.64
Technology Fees		653,545.21
Restricted/Sponsored Funds		433,623.98
Uncollectible Accounts Receivable		1,481,806.16
Tuition Carry-Over		690,777.97
Inventories		327,197.50
Property Sale		
Unreserved		
Surplus		614,772.60
Total Fund Balances		53,708,242.03
Total Liabilities and Fund Balances	$	188,947,730.43

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

SCHEDULE "7"

GEORGIA INSTITUTE OF TECHNOLOGY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation			
State General Funds	$ 233,671,963.00	$ 233,671,963.00	$ 0.00
Other Funds	1,360,445,126.00	1,252,958,474.48	-107,486,651.52
Total Revenues	1,594,117,089.00	1,486,630,437.48	-107,486,651.52
ADJUSTMENTS AND PROGRAM TRANSFERS	0.00	1,867,832.49	1,867,832.49
CARRY-OVER FROM PRIOR YEARS			
Transfers from Reserved Fund Balance	0.00	37,877,812.89	37,877,812.89
Total Funds Available	1,594,117,089.00	1,526,376,082.86	-67,741,006.14
EXPENDITURES			
Enterprise Innovation Institute (EII)	20,732,502.00	17,942,298.53	2,790,203.47
Georgia Tech Research Institute	376,932,999.00	364,320,632.61	12,612,366.39
Teaching	1,196,451,588.00	1,092,818,443.14	103,633,144.86
Total Expenditures	1,594,117,089.00	1,475,081,374.28	119,035,714.72
Excess of Funds Available over Expenditures	$ 0.00	51,294,708.58	$ 51,294,708.58
FUND BALANCE JULY 1			
Reserved		39,676,573.74	
Unreserved		470,917.62	
ADJUSTMENTS			
Prior Year Payables/Expenditures		617,078.70	
Prior Year Receivables/Revenues		-2,306.10	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2015		-470,917.62	
Prior Year Reserved Fund Balance Included in Funds Available		-37,877,812.89	
FUND BALANCE JUNE 30		$ 53,708,242.03	

SUMMARY OF FUND BALANCE	
Reserved	
Department Sales and Services	$ 9,771,676.97
Indirect Cost Recoveries	39,734,841.64
Technology Fees	653,545.21
Restricted/Sponsored Funds	433,623.98
Uncollectible Accounts Receivable	1,481,806.16
Tuition Carry-Over	690,777.97
Inventories	327,197.50
Total Reserved	53,093,469.43
Unreserved	
Surplus	614,772.60
Total Fund Balance	$ 53,708,242.03

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2016

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Enterprise Innovation Institute (EII)				
State Appropriation				
State General Funds	$ 8,590,935.00	$ 8,590,935.00	$ 8,590,935.00	$ 8,590,935.00
Other Funds	10,475,000.00	10,475,000.00	12,141,567.00	9,407,705.86
Total Enterprise Innovation Institute (EII)	19,065,935.00	19,065,935.00	20,732,502.00	17,998,640.86
Georgia Tech Research Institute (GTRI)				
State Appropriation				
State General Funds	5,694,440.00	5,694,440.00	5,694,440.00	5,694,440.00
Other Funds	314,011,962.00	314,011,962.00	371,238,559.00	359,569,938.88
Total Georgia Tech Research Institute (GTRI)	319,706,402.00	319,706,402.00	376,932,999.00	365,264,378.88
Teaching				
State Appropriation				
State General Funds	219,728,985.00	219,728,985.00	219,386,588.00	219,386,588.00
Other Funds	883,200,000.00	883,200,000.00	977,065,000.00	883,980,829.74
Total Teaching	1,102,928,985.00	1,102,928,985.00	1,196,451,588.00	1,103,367,417.74
Total Operating Activity	$ 1,441,701,322.00	$ 1,441,701,322.00	$ 1,594,117,089.00	$ 1,486,630,437.48

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Negative	Actual	Variance Positive	
$ 0.00	$ 0.00	$ 8,590,935.00	$ 0.00	$ 8,590,935.00	$ 0.00	$ 0.00
2,921.98	0.00	9,410,627.84	-2,730,939.16	9,351,363.53	2,790,203.47	59,264.31
2,921.98	0.00	18,001,562.84	-2,730,939.16	17,942,298.53	2,790,203.47	59,264.31
0.00	0.00	5,694,440.00	0.00	5,694,440.00	0.00	0.00
1,302,738.79	0.00	360,872,677.67	-10,365,881.33	358,626,192.61	12,612,366.39	2,246,485.06
1,302,738.79	0.00	366,567,117.67	-10,365,881.33	364,320,632.61	12,612,366.39	2,246,485.06
0.00	0.00	219,386,588.00	0.00	219,386,588.00	0.00	0.00
36,572,152.12	1,867,832.49	922,420,814.35	-54,644,185.65	873,431,855.14	103,633,144.86	48,988,959.21
36,572,152.12	1,867,832.49	1,141,807,402.35	-54,644,185.65	1,092,818,443.14	103,633,144.86	48,988,959.21
$ 37,877,812.89	$ 1,867,832.49	$ 1,526,376,082.86	$ -67,741,006.14	$ 1,475,081,374.28	$ 119,035,714.72	$ 51,294,708.58

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2016

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2015 Surplus	Prior Period Adjustments
Enterprise Innovation Institute (EII)				
State Appropriation				
State General Funds	$ 6,914.55	$ 0.00	$ -6,914.55	$ 0.00
Other Funds	2,921.98	-2,921.98	0.00	0.00
Total Enterprise Innovation Institute (EII)	9,836.53	-2,921.98	-6,914.55	0.00
Georgia Tech Research Institute (GTRI)				
State Appropriation				
State General Funds	6,213.33	0.00	-6,213.33	78.54
Other Funds	1,302,738.79	-1,302,738.79	0.00	0.00
Total Georgia Tech Research Institute (GTRI)	1,308,952.12	-1,302,738.79	-6,213.33	78.54
Teaching				
State Appropriation				
State General Funds	376,446.04	0.00	-376,446.04	414,394.25
Other Funds	36,653,495.82	-36,572,152.12	-81,343.70	200,299.81
Total Teaching	37,029,941.86	-36,572,152.12	-457,789.74	614,694.06
Total Operating Activity	38,348,730.51	-37,877,812.89	-470,917.62	614,772.60
Prior Year Reserves				
Not Available for Expenditure				
Inventories	337,469.49	0.00	0.00	0.00
Uncollectible Accounts Receivable	1,461,291.36	0.00	0.00	0.00
Budget Unit Totals	$ 40,147,491.36	$ -37,877,812.89	$ -470,917.62	$ 614,772.60

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

Other Adjustments	Early Return Fiscal Year 2016 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance Reserved	Surplus	Total
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
0.00	0.00	59,264.31	59,264.31	59,264.31	0.00	59,264.31
0.00	0.00	59,264.31	59,264.31	59,264.31	0.00	59,264.31
0.00	0.00	0.00	78.54	0.00	78.54	78.54
0.00	0.00	2,246,485.06	2,246,485.06	2,246,485.06	0.00	2,246,485.06
0.00	0.00	2,246,485.06	2,246,563.60	2,246,485.06	78.54	2,246,563.60
0.00	0.00	0.00	414,394.25	0.00	414,394.25	414,394.25
-10,242.81	0.00	48,988,959.21	49,179,016.21	48,978,716.40	200,299.81	49,179,016.21
-10,242.81	0.00	48,988,959.21	49,593,410.46	48,978,716.40	614,694.06	49,593,410.46
-10,242.81	0.00	51,294,708.58	51,899,238.37	51,284,465.77	614,772.60	51,899,238.37
-10,271.99	0.00	0.00	327,197.50	327,197.50	0.00	327,197.50
20,514.80	0.00	0.00	1,481,806.16	1,481,806.16	0.00	1,481,806.16
$ 0.00	$ 0.00	$ 51,294,708.58	$ 53,708,242.03	$ 53,093,469.43	$ 614,772.60	$ 53,708,242.03

Summary of Ending Fund Balance	Reserved	Surplus	Total
Reserved			
Department Sales and Services	$ 9,771,676.97		$ 9,771,676.97
Indirect Cost Recoveries	39,734,841.64		39,734,841.64
Technology Fees	653,545.21		653,545.21
Restricted/Sponsored Funds	433,623.98		433,623.98
Uncollectible Accounts Receivable	1,481,806.16		1,481,806.16
Tuition Carry-Over	690,777.97		690,777.97
Inventories	327,197.50		327,197.50
Unreserved			
Surplus		$ 614,772.60	614,772.60
Total Ending Fund Balance - June 30	$ 53,093,469.43	$ 614,772.60	$ 53,708,242.03

SECTION III

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

December 30, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Dr. G.P. "Bud" Peterson, President
Georgia Institute of Technology

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ladies and Gentlemen:

We have audited, 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, the business-type activities and aggregate discretely presented component units of the Georgia Institute of Technology as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated December 30, 2016.

Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units as described in our report on the Georgia Institute of Technology's basic financial statements.

This report includes our consideration of the results of other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Georgia Institute of Technology's financial statements are free from material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 and those of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that were reported to management of the Georgia Institute of Technology in a separate letter.

Purpose of this Report

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

Respectfully submitted,

Greg S. Griffin
State Auditor

SECTION IV

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA INSTITUTE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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Georgia Tech