STATE OF GEORGIA
DEPARTMENT OF AUDITS AND ACCOUNTS

GEORGIA INSTITUTE OF TECHNOLOGY
ATLANTA, GEORGIA

REPORT ON AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Russell W. Hinton
State Auditor

GEORGIA INSTITUTE OF TECHNOLOGY

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GEORGIA INSTITUTE OF TECHNOLOGY

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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Atlanta, Georgia 30334-8400

Russell W. Hinton
STATE AUDITOR
(404) 656-2174

December 5, 2008

Honorable Sonny Perdue, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Honorable Gary B. Schuster, Interim President
Georgia Institute of Technology

INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Ladies and Gentlemen:

We have audited the accompanying basic financial statements (Exhibits A through D) of Georgia Institute of Technology, an organizational unit of the State of Georgia, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Georgia Institute of Technology's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Georgia Institute of Technology are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State of Georgia that is attributable to the transactions of Georgia Institute of Technology. They do not purport to, and do not, present fairly the financial position and changes in financial position and cash flows of the State of Georgia, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Georgia Institute of Technology as of June 30, 2008, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Georgia Institute of Technology taken as a whole. The accompanying supplementary information (Schedules 1 through 4) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Russell W. Hinton, CPA, CGFM
State Auditor

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REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis

Introduction

The Georgia Institute of Technology, also known as Georgia Tech, is one of the 35 institutions of higher education of the University System of Georgia. Georgia Tech is one of the nation's leading research universities, with over $400 million expended on sponsored research activities and providing a focused, technology based education for nearly 19,000 undergraduate and graduate students. Georgia Tech has many nationally recognized programs and is ranked as one of the top ten public universities in the nation by U. S. News and World Report, with four schools in the College of Engineering listed among the country's top five. Georgia Tech's undergraduate engineering programs are ranked in the Top 10 and the graduate engineering program is consistently ranked in the Top 5. Georgia Tech offers degrees through the Colleges of Engineering, Architecture, Sciences, Computing, Management, and the Ivan Allen College of Liberal Arts. As a leading technological institute, Georgia Tech has over 100 interdisciplinary research centers that consistently contribute vital research and innovation to America's government, industry, and business.

Founded in 1885 to help move Georgia's economy into the industrial age, Georgia Tech exceeded the expectations of its founders by becoming a multi-faceted research institution that serves as a source of new technologies and a driver of economic development. With a clear vision of technology and leadership, the Institute provides a cutting edge education for the 21st century. The Institute continues to grow as reflected by the faculty and student numbers below and other comparisons that follow.

	Faculty	Students (Headcount)	Students (FTE)
Fiscal Year 2008	970	18,747	17,836
Fiscal Year 2007	940	17,936	17,027
Fiscal Year 2006	878	17,135	16,299

Overview of the Financial Statements and Financial Analysis

The Georgia Institute of Technology is pleased to present its financial statements for fiscal year 2008, which began July 1, 2007 and ended June 30, 2008. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. This discussion and analysis of the Institute's financial statements provides an overview of its financial activities for the year. The statements focus on the financial condition, results of operations and cash flows of the Institute as a whole, with resources classified for accounting and reporting purposes into five net asset categories: invested in capital assets, net of related debt; restricted - nonexpendable; restricted - expendable; restricted - capital projects and unrestricted. The basis of accounting is full accrual, including capitalization and depreciation of equipment and fixed assets. Comparative data is provided for fiscal year 2008 and fiscal year 2007.

Statement of Net Assets

Using the accrual basis of accounting, the Statement of Net Assets presents the assets, liabilities, and resulting net assets of the Institute as of the end of the fiscal year. Assets, by definition, represent measured economic value obtained and controlled by an entity as a result of past transactions and events. This statement identifies the assets available for current operations, debts owed and net assets available to continue operations in the future.

The Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the Institute. Net assets are divided into three major categories. The first category, Invested in Capital Assets Net of Related Debt, identifies the Institute's equity in property, plant and equipment. The next asset category, Restricted Net Assets, is divided into three categories, nonexpendable, expendable and capital projects. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets 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, Unrestricted Net Assets, is available for any lawful purpose of the Institute.

Following is a comparative, condensed version of the Institute's Statement of Net Assets as of June 30, 2008 and June 30, 2007:

Statement of Net Assets, Condensed

	June 30, 2008	June 30, 2007
Assets		
Current Assets	$ 186,023,497	$ 171,893,931
Capital Assets, Net	1,420,414,332	1,261,604,842
Other Assets	72,926,737	70,001,585
Total Assets	$1,679,364,566	$1,503,500,358
Liabilities		
Current Liabilities	$ 112,482,457	$ 102,305,597
Noncurrent Liabilities	529,865,464	417,817,152
Total Liabilities	$ 642,347,921	$ 520,122,749
Net Assets		
Invested in Capital Assets, Net of Debt	$ 892,893,907	$ 851,635,161
Restricted - Nonexpendable	47,863,655	53,098,742
Restricted - Expendable	27,543,641	30,748,494
Restricted - Capital Projects	66,196,480	49,599,664
Unrestricted	2,518,962	-1,704,452
Total Net Assets	$1,037,016,645	$ 983,377,609

The total assets of the institution increased by $175,864,208. A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of $158,809,490 in the category of Capital Assets, Net. The balance of the increase is primarily in receivable categories.

The total liabilities for the year increased by $122,225,172. The combination of the increase in total assets of $175,864,208 and the increase in total liabilities of $122,225,172 yields an increase in total net assets of $53,639,036. The increase in total net assets is primarily in the category of Invested in Capital Assets, Net of Debt, in the amount of $41,258,746.

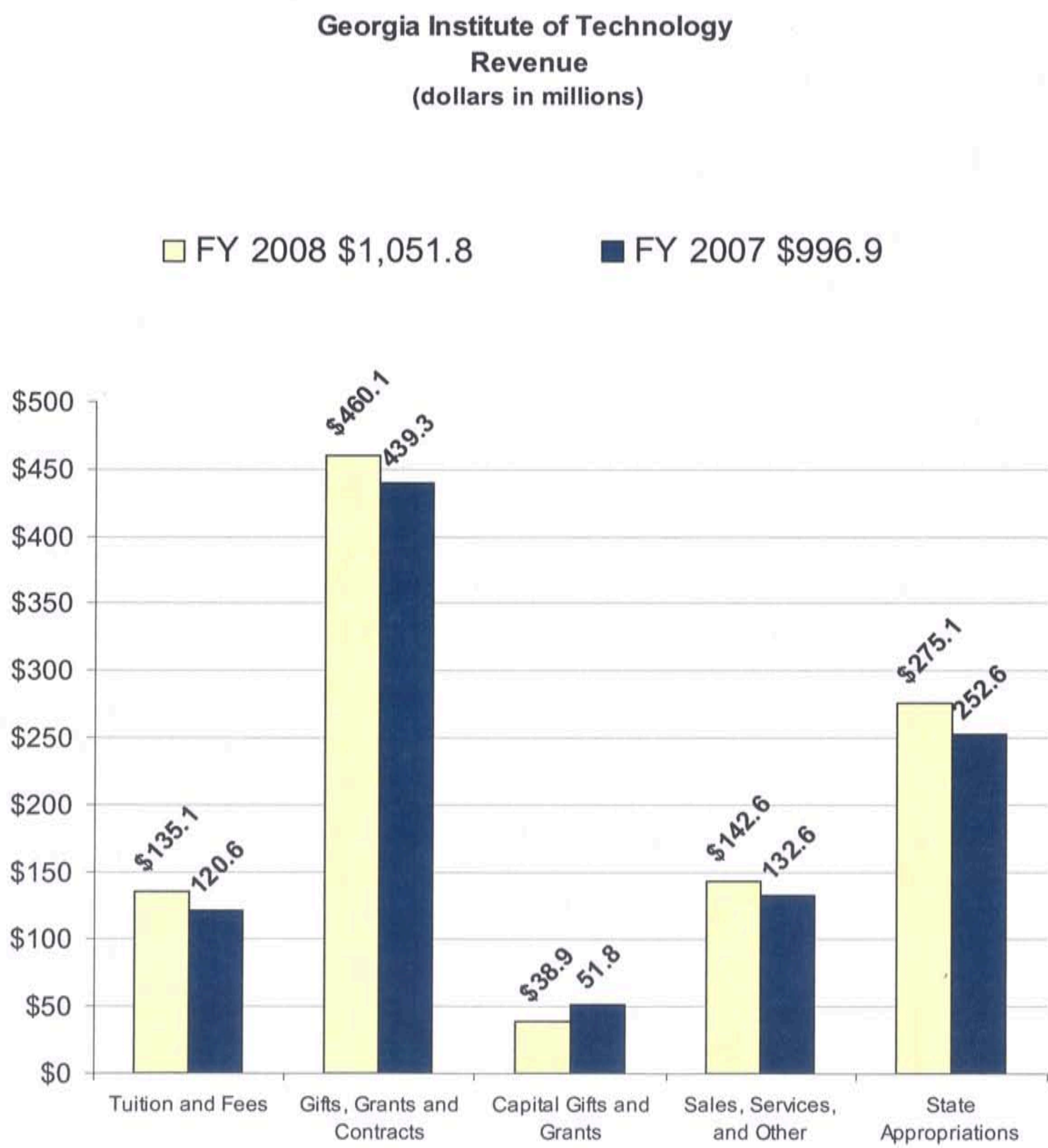
Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution. Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

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

	June 30, 2008	June 30, 2007
Operating Revenues	$ 721,356,596	$ 667,930,667
Operating Expenses	980,433,038	919,242,200
Operating Loss	$ -259,076,442	$ -251,311,533
Nonoperating Revenues and Expenses	265,273,178	259,899,848
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	$ 6,196,736	$ 8,588,315
Other Revenues, Expenses, Gains or Losses	38,889,899	51,825,493
Increase (Decrease) in Net Assets	$ 45,086,635	$ 60,413,808
Net Assets at Beginning of Year, as Originally Reported	$ 983,377,609	$ 922,963,801
Prior Year Adjustments	8,552,401	
Net Assets at Beginning of Year - Restated	$ 991,930,010	$ 922,963,801
Net Assets at End of Year	$1,037,016,645	$ 983,377,609

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in both Operating and Nonoperating Revenues. Overall, revenue increased by $54.9 million across the board as illustrated in the graph below.

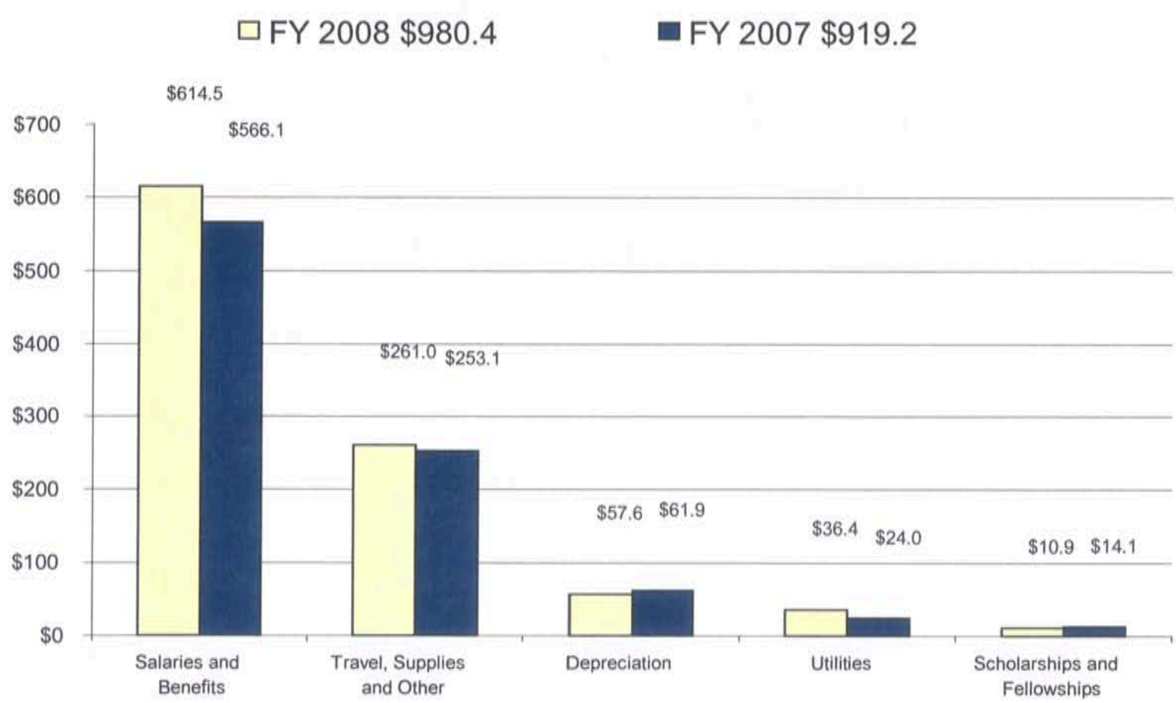


The following graph shows year-to-date expenditure changes by object of expenditure:

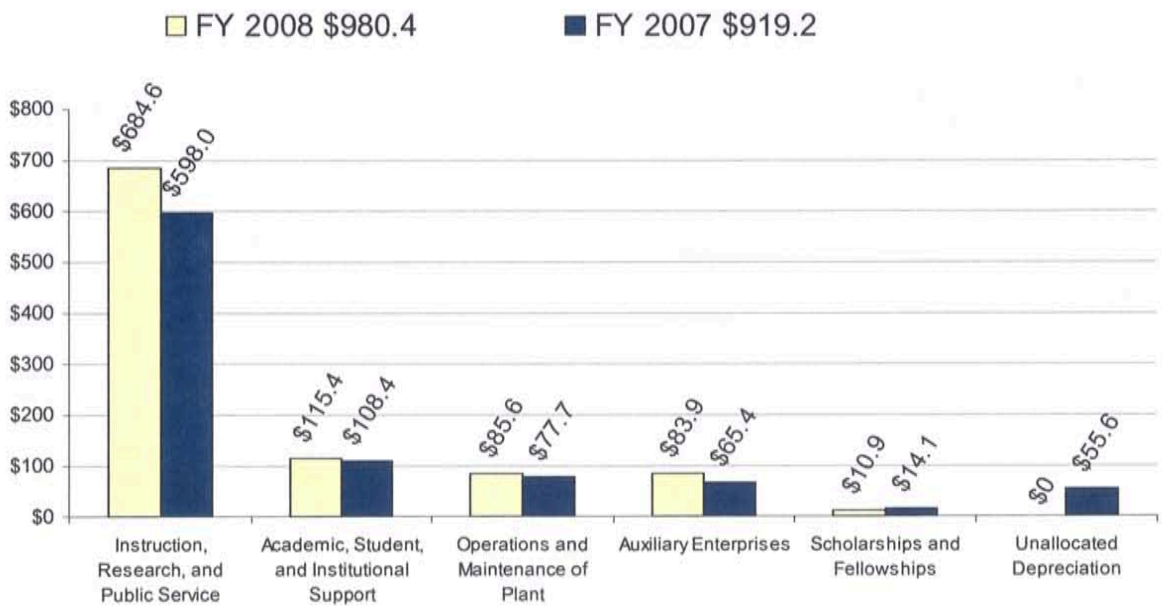
Total operating expenses for the year were approximately $980.4 million, an increase of $61.2 million, or 6.7% over the previous year. Significant increases in operating expenses from fiscal year 2007 to fiscal year 2008 include compensation and employee benefits, and utilities. The compensation and employee benefits category increased by $48.4 million primarily due to an increase in research expenditures. Utilities increased from $24.0 million in fiscal year 2007 to $36.4 million in fiscal year 2008. This is largely due to the reclassification of telecommunications expense from supplies to utilities. Telecommunications expense in fiscal year 2007 was $7.7 million and $9.6 million in fiscal year 2008. Thus, if the $7.7 million in telecommunications expenses had been included in utilities for fiscal year 2007, the utilities expense would have been $31.7 million and the percent increase from fiscal year 2007 to fiscal year 2008 would have only been 14.8%.

In the Expenses by Functional Class graph, depreciation expense was unallocated between functional classifications in prior fiscal years. In fiscal year 2008, the Natural Classifications with Functional Classifications schedule in Note 15 required the Institute to allocate depreciation among functional classifications. Thus, the unallocated expense for depreciation for fiscal year 2008 is $0.

Georgia Institute of Technology
Operating Expenses by Object of Expenditure Class
(dollars in millions)



Georgia Institute of Technology
Expenses by Functional Class
(dollars in millions)



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 institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with 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 reflects the 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 Assets.

Cash Flows for the Years Ended June 30, 2008 and June 30, 2007, Condensed

	June 30, 2008	June 30, 2007
Cash Provided (Used) By:		
Operating Activities	$ -237,262,062	$ -180,304,402
Noncapital Financing Activities	285,398,048	274,039,837
Capital and Related Financing Activities	-109,360,010	-76,013,550
Investing Activities	12,292,080	7,841,204
Net Change in Cash	$ -48,931,944	$ 25,563,089
Cash, Beginning of Year	100,953,346	75,390,257
Cash, End of Year	$ 52,021,402	$ 100,953,346

Capital Assets

The Institute had two significant capital additions in fiscal year 2008. The Electrical Sub Station was completed this year, resulting in an addition of $39.7 million. Also, the Institute acquired a complex of buildings collectively called "North Avenue Apartments" from Georgia State University for $74.5 million, which includes an adjacent parking facility.

For additional information concerning Capital Assets, see Notes 1, 6, 8, 9, and 10 in the Notes to the Financial Statements.

Long-Term Liabilities

Georgia Institute of Technology had Long-Term Liabilities of $561,020,762 of which $36,580,298 was reflected as current liability at June 30, 2008.

For additional information concerning Long-Term Liabilities, see Notes 1 and 8 in the Notes to the Financial Statements.

Economic Outlook

The Institute is expecting significant economic challenges in the next fiscal year. Planning guidelines from the USG Chancellor have been received for a 5% budget cut from the fiscal year 2009 state appropriations which is approximately $14.5 million. These cuts, coupled with rapidly rising energy costs and increased fixed debt service costs of $5.9 million in the next fiscal year will necessitate management examine all aspects of the Institute's operations, including the primary missions of instruction, research and public service. Enrollment is expected to be stable. While every effort has been made in the past to absorb the brunt of economic downturns in the support services area, this may not be possible given the magnitude of the downturn and the impact of the proposed budget cut.

At the same time the Institute anticipates a bright economic future with the continued growth of the sponsored research program. Sponsored awards grew to $445.4 million in fiscal year 2008 which is a 19.0% increase over the previous fiscal year. In the current fiscal year, sponsored revenue increased by $23.8 million or 5.5%. The Institute expects growth to continue in future fiscal years but at a more normal rate than in fiscal year 2008. These revenues should help to mitigate the stagnant or negative growth in other areas.

Dr. Gary B. Schuster, Interim President
Georgia Institute of Technology

BASIC FINANCIAL STATEMENTS

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET ASSETS
JUNE 30, 2008

EXHIBIT "A"

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 52,021,402
Short-Term Investments	143,902
Accounts Receivable, Net (Note 3)	
Federal Financial Assistance	35,946,193
Other	55,149,270
Inventories (Note 4)	321,856
Prepaid Items	42,440,874
Total Current Assets	$ 186,023,497
Noncurrent Assets	
Investments	$ 63,530,650
Notes Receivable, Net	9,396,087
Capital Assets, Net (Note 6)	1,420,414,332
Total Noncurrent Assets	$ 1,493,341,069
Total Assets	$ 1,679,364,566
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 19,506,400
Salaries Payable	1,179,451
Benefits Payable	307,021
Contracts Payable	1,930,375
Deposits	20,557,187
Deferred Revenue (Note 7)	15,245,362
Other Liabilities	3,503,959
Deposits Held for Other Organizations	13,672,404
Lease Purchase Obligations	18,143,084
Compensated Absences	18,437,214
Total Current Liabilities	$ 112,482,457
Noncurrent Liabilities	
Lease Purchase Obligations	$ 509,594,341
Deferred Revenue	5,425,000
Compensated Absences	14,846,123
Total Noncurrent Liabilities	$ 529,865,464
Total Liabilities	$ 642,347,921
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 892,893,907
Restricted for:	
Nonexpendable	47,863,655
Expendable	27,543,641
Capital Projects	66,196,480
Unrestricted	2,518,962
Total Net Assets	$ 1,037,016,645

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 ASSETS
YEAR ENDED JUNE 30, 2008

EXHIBIT "B"

OPERATING REVENUES	
Student Tuition and Fees	$ 161,887,461
Less: Scholarship Allowances	-26,737,688
Grants and Contracts	
Federal	287,998,687
State	17,236,932
Other	149,509,237
Sales and Services of Educational Departments	23,942,293
Rents and Royalties	1,253,966
Auxiliary Enterprises	
Residence Halls	49,248,564
Bookstore	1,902,078
Food Services	16,942,378
Parking/Transportation	13,200,396
Health Services	5,948,091
Other Organizations	6,647,384
Other Operating Revenues	12,376,817
Total Operating Revenues	$ 721,356,596
OPERATING EXPENSES	
Salaries	
Faculty	$ 245,468,028
Staff	263,915,877
Employee Benefits	104,557,932
Other Personal Services	548,389
Travel	16,616,963
Scholarships and Fellowships	10,919,734
Utilities	36,396,206
Supplies and Other Services	244,423,689
Depreciation	57,586,220
Total Operating Expenses	$ 980,433,038
Operating Income (Loss)	$ -259,076,442
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	$ 275,144,403
Gifts	5,323,093
Interest and Other Investment Income	14,551,850
Interest Expense	-26,374,717
Other Nonoperating Revenues/Expense	-3,371,451
Net Nonoperating Revenues	$ 265,273,178
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ 6,196,736
Capital Grants and Gifts	
State	$ 21,855,280
Other	9,117,970
Total Capital Grants and Gifts	$ 30,973,250
Special Item (See Note 16)	$ 7,916,649
Total Other Revenues, Expenses, Gains or Losses	$ 38,889,899
Increase (Decrease) in Net Assets	$ 45,086,635
Net Assets - Beginning of Year, Restated	991,930,010
Net Assets - End of Year	$ 1,037,016,645

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, 2008

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$	134,652,521
Grants and Contracts		447,227,033
Sales and Services of Educational Departments		23,701,801
Payments to Suppliers		-407,770,465
Payments to Employees		-507,336,031
Payments for Scholarships and Fellowships		-10,919,734
Loans Issued to Students and Employees		-3,131,037
Collection of Loans to Students and Employees		2,456,978
Auxiliary Enterprise Charges:		
Residence Halls		49,473,232
Bookstore		1,913,535
Food Services		16,937,074
Parking/Transportation		13,230,546
Health Services		5,950,468
Other Organizations		6,650,667
Other Receipts (Payments)		-10,298,650
Net Cash Provided (Used) by Operating Activities	$	-237,262,062
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	$	275,144,403
Agency Funds Transactions		3,362,324
Gifts and Grants Received for Other than Capital Purposes		5,323,093
Other Nonoperating Receipts		1,568,228
Net Cash Flows Provided (Used) by Noncapital Financing Activities	$	285,398,048
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received	$	20,338,415
Proceeds from Capital Debt		217,000
Purchases of Capital Assets		-91,524,603
Principal Paid on Capital Debt and Leases		-14,226,388
Interest Paid on Capital Debt and Leases		-24,164,434
Net Cash Provided (Used) by Capital and Related Financing Activities	$	-109,360,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	$	19,578,480
Purchase of Investments		-7,286,400
Net Cash Provided (Used) by Investing Activities	$	12,292,080
Net Increase (Decrease) in Cash	$	-48,931,944
Cash and Cash Equivalents - Beginning of Year		100,953,346
Cash and Cash Equivalents - End of Year	$	52,021,402

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ -259,076,442
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	57,586,220
Change in Assets and Liabilities:	
Accounts Receivable, Net	-32,756,992
Inventories	-29,176
Prepaid Items	-2,408,183
Notes Receivable, Net	-674,059
Accounts Payable	430,212
Deferred Revenue	838,623
Other Liabilities	-2,978,538
Compensated Absences	1,806,273
Net Cash Provided (Used) by Operating Activities	$ -237,262,062
NONCASH ACTIVITY	
Fixed Assets Acquired by Incurring Capital Lease Obligations	$ 131,777,132
Change in Fair Value of Investments Recognized as a Component of Interest Income	$ -5,026,630
Special Item - Capital Asset Transfer	$ 7,916,649
Change in Accrued Interest Payable Affecting Interest Paid	$ -2,210,283
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ -10,634,835

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Georgia Institute of Technology serves the state, national and international communities by providing its students with academic instruction that advances fundamental knowledge, conducting research to create a better world for mankind, and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

REPORTING ENTITY

Georgia Institute of Technology is one of thirty-five (35) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Georgia Institute of Technology as a separate reporting entity.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. Georgia Institute of Technology does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Georgia Institute of Technology is considered an organizational unit of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Legally separate, tax exempt organizations whose activities primarily support units of the University System of Georgia, which are organizational units of the State of Georgia, are considered potential component units of the State. See Note 17 for additional information.

FINANCIAL STATEMENT PRESENTATION

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Georgia implemented GASB Statement No. 34 as of and for the year ended June 30, 2002. As an organizational unit of the State of Georgia, the Institute was also required to adopt GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. 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, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund group perspective previously required.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

For financial reporting purposes, the Institute is considered a special-purpose government engaged only in business-type activities. Accordingly, the Institute's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, except as noted in the preceding paragraph. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-Institute transactions have been eliminated.

The Institute has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Institute has elected to not apply FASB pronouncements issued after the applicable date.

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. This would include 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

The Institute accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets. The Board of Regents Diversified Fund, and the Georgia Extended Asset Pool are included under Investments.

ACCOUNTS RECEIVABLE

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff. 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 Assets using the average-cost basis. Resale inventories are valued at cost using the average-cost basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NONCURRENT INVESTMENTS

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

CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Institute's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, 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 is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 75 years for infrastructure and land improvements, 10 years for library books, and 5 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To obtain the total picture of plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, the 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, 2008, GSFIC transferred capital additions valued at $2,275,680 to Georgia Institute of Technology. The amount remaining on deposit with GSFIC after this transfer is $772,432, all of which was privately funded.

DEPOSITS

Deposits represent good faith deposits from students to reserve housing assignments in an Institute residence hall.

DEFERRED REVENUES

Deferred revenues 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses and Changes in Net Assets. Georgia Institute of Technology had accrued liability for compensated absences in the amount of $31,477,064 as of July 1, 2007. For fiscal year 2008, $19,961,337 was earned in compensated absences and employees were paid $18,155,064, for a net increase of $1,806,273. The ending balance as of June 30, 2008 in accrued liability for compensated absences was $33,283,337.

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 noncurrent assets.

NET ASSETS

The Institute's net assets are classified as follows:

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

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Institute may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NET ASSETS

Expendable Restricted Net Assets include the following:

Restricted - E & G and Other Organized Activities	$ 1,566,009
Federal Loans	6,531,565
Institutional Loans	4,992,207
Quasi-Endowments	14,453,860
Total Restricted Expendable	$ 27,543,641

Restricted net assets - expendable - Capital Projects: This represents resources for which the Institute is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institute, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of Treasury and Fiscal Services. At June 30, 2008, there was a surplus balance of $379,323.32 to be refunded. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Unrestricted Net Assets includes the following items which are quasi-restricted by management.

R & R Reserve	$ 12,095,692
Reserve for Encumbrances	12,842,413
Reserve for Inventory	319,012
Other Unrestricted	-22,738,155
Total Unrestricted Net Assets	$ 2,518,962

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.

INCOME TAXES

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CLASSIFICATION OF REVENUES

The Institute has classified its revenues as either operating or nonoperating revenues in the Statement of Revenues, Expenses and Changes in Net Assets according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, net of scholarship allowances, (3) most Federal, state and local grants and contracts, and (4) interest on institutional student loans.

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

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. 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 nongovernmental programs are recorded as either operating or nonoperating 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.

RESTATEMENT OF ACCUMULATED DEPRECIATION AND NET ASSETS

During fiscal year 2008, the Institute conducted a comprehensive review of building and infrastructure historical costs and the associated depreciation and accumulated depreciation for these assets. As a result of this review, it was determined that depreciation expense had been overstated in prior years by a net amount of $8,552,401, with buildings being overburdened by $9,540,330 and infrastructure being under burdened by $987,929. To correctly reflect carrying values:

1. The beginning balance for accumulated depreciation on buildings will be restated and reduced by $9,540,330.
2. The beginning balance for accumulated depreciation on infrastructure will be restated and increased by $987,929.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RESTATEMENT OF ACCUMULATED DEPRECIATION AND NET ASSETS

Note 6 reflects these changes in the Beginning Balance column. This change is in accordance with generally accepted accounting principles.

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 (and thus the Institute) 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, 2008, the carrying value of deposits was $537,594 and the bank balance was $14,963,097. Of the Institute's deposits, $14,784,821 were uninsured. Of these uninsured deposits, $11,080,139 were collateralized with securities held by the financial institution's trust department or agent in the Institute's name, and $3,704,682 were uncollateralized.

NOTE 2: DEPOSITS AND INVESTMENTS

INVESTMENTS

Georgia Institute of Technology 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's investments as of June 30, 2008 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

		Investment Maturity			
Investment Type	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
Debt Securities					
U. S. Treasuries	$ 5,132,841	$ 100,281	$ 3,201,916	$ 1,740,222	$ 90,422
U. S. Agencies					
Explicitly Guaranteed	9,837	280	297		9,260
Implicitly Guaranteed	4,665,180	561,356	2,610,561	857,393	635,870
Corporate Debt	7,274,305	160,394	1,279,026	830,210	5,004,675
	$ 17,082,163	$ 822,311	$ 7,091,800	$ 3,427,825	$ 5,740,227
Other Investments					
Bond/Equity Mutual Funds	483,522				
Equity Mutual Funds	373,066				
Equity Securities - Domestic	1,000,122				
Real Estate Held for Investment Purposes	1,458				
Investment Pools					
Board of Regents					
Short-Term Fund	29,966,352				
Diversified Fund	44,590,319				
Office of Treasury and Fiscal Services					
Georgia Fund 1	21,466,438				
Georgia Extended Asset Pool	143,902				
	$ 115,107,342				

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 - University 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.state.ga.us /internet/searchRpts.html.

NOTE 2: DEPOSITS AND INVESTMENTS

INVESTMENTS

The Georgia Fund 1 Investment Pool, managed by the Office of Treasury and Fiscal Services, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, $1.00 per share. The Georgia Fund 1 Investment Pool is an AAAm rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 40 days.

The Georgia Extended Asset Pool, managed by the Office of Treasury and Fiscal Services, 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 $2.02 at June 30, 2008. The Georgia Extended Asset Pool is an AAA rated investment pool by Standard and Poor's. The Effective Duration of the Fund is .81 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 Regents policy and applicable Federal and state laws.

The Weighted Average Maturity of the Short-Term Fund is 1.99 years. Of the Institute's total investment of $29,966,352 in the Short-Term Fund, $29,846,487 is invested in debt securities.

The Weighted Average Maturity of the Diversified Fund is 7.84 years. Of the Institute's total investment of $44,590,319 in the Diversified Fund, $13,867,589 is invested in debt securities.

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 specifies how counterparties are selected and how investments are to be held on behalf of the Institute.

At June 30, 2008, $12,975,007 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 is for investments is an integral part of it's current investment policies dated May 16, 2005, which identifies approved investment products, and specifies the required credit quality, as applicable, for each investment based upon approved credit rating agencies.

NOTE 2: DEPOSITS AND INVESTMENTS

INVESTMENTS

The investments subject to credit quality risk are reflected below:

Credit Quality Risk	Fair Value	AAA	AA	A	BAA	Unrated
Related Debt Investments						
U. S. Agencies	$ 4,665,180	$ 4,665,180				
Corporate Debt	7,274,305	5,367,939	$ 672,645	$ 884,552	$ 344,494	$ 4,675
	$ 11,939,485	$ 10,033,119	$ 672,645	$ 884,552	$ 344,494	$ 4,675

Concentration of Credit Risk

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2008:

Student Tuition and Fees	$ 3,594,976
Auxiliary Enterprises and Other Operating Activities	1,291,088
Federal Financial Assistance	35,946,193
Other	52,593,740
	$ 93,425,997
Less Allowance for Doubtful Accounts	2,330,534
Net Accounts Receivable	$ 91,095,463

NOTE 4: INVENTORIES

Inventories consisted of the following at June 30, 2008:

Physical Plant	$ 289,063
Other	32,793
Total	$ 321,856

NOTE 5: NOTES/LOANS RECEIVABLE

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2008. 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, 2008 the allowance for uncollectible loans was approximately $78,433.

NOTE 6: CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2008:

	Beginning Balance July 1, 2007 (Restated)	Special Item Transfer	Additions	Reductions	Ending Balance June 30, 2008
Capital Assets, Not Being Depreciated:					
Land	$ 50,647,905	$ 0	$ 2,488,541		$ 53,136,446
Capitalized Collections	16,914,836		1,516,994	$ 727,903	17,703,927
Construction Work-in-Progress	25,679,962		37,997,110	13,200,129	50,476,943
Total Capital Assets, Not Being Depreciated	$ 93,242,703	$ 0	$ 42,002,645	$ 13,928,032	$ 121,317,316
Capital Assets, Being Depreciated:					
Infrastructure	$ 55,147,216		$ 45,415,184		$ 100,562,400
Building and Building Improvements	1,214,210,280	$ 72,150,026	30,157,777	$ 5,111,690	1,311,406,393
Facilities and Other Improvements	14,815,338	466,803	3,851,359		19,133,500
Equipment	323,998,406		46,369,649	11,439,190	358,928,865
Library Collections	89,878,032		4,830,137	14,968	94,693,201
Total Assets Being Depreciated	$1,698,049,272	$ 72,616,829	$ 130,624,106	$ 16,565,848	$1,884,724,359
Less: Accumulated Depreciation:					
Infrastructure	$ 11,831,745		$ 2,187,083		$ 14,018,828
Building and Building Improvements	232,792,327	$ 18,964,108	26,571,504	$ 1,658,578	276,669,361
Facilities and Other Improvements	7,089,530	280,578	422,904		7,793,012
Equipment	207,340,340		25,993,141	10,664,749	222,668,732
Library Collections	62,080,790		2,411,588	14,968	64,477,410
Total Accumulated Depreciation	$ 521,134,732	$ 19,244,686	$ 57,586,220	$ 12,338,295	$ 585,627,343
Total Capital Assets, Being Depreciated, Net	$1,176,914,540	$ 53,372,143	$ 73,037,886	$ 4,227,553	$1,299,097,016
Capital Assets, Net	$1,270,157,243	$ 53,372,143	$ 115,040,531	$ 18,155,585	$1,420,414,332

NOTE 7: DEFERRED REVENUE

Current deferred revenue consisted of the following at June 30, 2008:

Prepaid Tuition and Fees	$ 12,398,192
Research	1,768,242
Other Deferred Revenue	1,078,928
Totals	$ 15,245,362

Long-Term deferred revenue totaled $5,425,000.

NOTE 8: LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Current Portion
Leases					
Lease Obligations	$ 409,969,681	$ 131,994,132	$ 14,226,388	$ 527,737,425	$ 18,143,084
Other Liabilities					
Compensated Absences	31,477,064	19,961,337	18,155,064	33,283,337	18,437,214
Total Long-Term Obligations	$ 441,446,745	$ 151,955,469	$ 32,381,452	$ 561,020,762	$ 36,580,298

NOTE 9: SIGNIFICANT COMMITMENTS

The Institute had significant unearned, outstanding, construction or renovation contracts executed in the amount of $15,855,993 as of June 30, 2008. This amount is not reflected in the accompanying basic financial statements.

NOTE 10: LEASE OBLIGATIONS

Georgia Institute of Technology 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 and equipment.

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2008 and 2037. Expenditures for fiscal year 2008 were $40,601,105 of which $26,374,717 represented interest. Total principal paid on capital leases was $14,226,388 for the fiscal year ended June 30, 2008. Interest rates range from 3.36 percent to 11.0 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2008:

NOTE 10: LEASE OBLIGATIONS

CAPITAL LEASES

Facilities and Other Improvements	$ 191,540
Infrastructure	39,625,307
Land	11,457,418
Buildings	516,156,196
Equipment	16,026,312
Total Assets Held Under Capital Lease	$ 583,456,773

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Georgia Institute of Technology had seven capital leases with related parties in fiscal year 2008. In November 1997, Georgia Institute of Technology entered into a capital lease of $21,560,000 for the Parker H. Petit Institute of Bioengineering and Biosciences Building with the Georgia Tech Research Corporation and Georgia Tech Facilities, Inc., both affiliated organizations. The lease term is for a 30-year period that began November 1997 and expires May 2028. At June 30, 2008 the remaining long-term debt obligation (principal) under the lease was $18,020,000 and the amount due (principal and interest) in the next fiscal year is $1,425,695.

In August 2001, Georgia Institute of Technology entered into a capital lease of $142,298,200 with the Georgia Tech Foundation, Inc., for a complex of buildings collectively named "Technology Square". Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2008 the remaining long-term debt obligation (principal) under the lease was $128,636,400, and the amount due (principal and interest) in the next fiscal year is $9,938,499.

In February 2001, Georgia Institute of Technology entered into a capital lease of $44,980,000 with the Georgia Tech Foundation, Inc., for the Institute's Campus Recreation Center. As noted previously, Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 30-year period that began February 2001 and expires February 2031. At June 30, 2008 the remaining long-term debt obligation (principal) under the lease was $40,845,000, and the amount due (principal and interest) in the next fiscal year is $3,068,765.

In May 2005, Georgia Institute of Technology entered into a capital lease of $70,320,000 with Georgia Tech Facilities, Inc., an affiliated organization, for two structures/buildings: (1) a complex of buildings collectively named "Married Family Housing", including an adjoining parking deck; and (2) the underground parking deck for the Klaus Advanced Computing Center. The lease terms are 25 years on the Housing complex and 20 years on the Klaus parking deck. The lease expires in June, 2030. At June 30, 2008 the remaining long-term debt obligation under the lease was $65,235,000 and the amount due (principal and interest) in the next fiscal year is $5,079,853.

NOTE 10: LEASE OBLIGATIONS

CAPITAL LEASES

In May 2004, Georgia Institute of Technology entered into a capital lease of $75,205,000 with Georgia Tech Facilities, Inc., an affiliated organization, for a Molecular Sciences and Engineering Building. The lease term is for 29 years and expires in June, 2036. At June 30, 2008 the remaining long-term debt obligation under the lease was $73,915,000 and the amount due (principal and interest) in the next fiscal year is $4,980,850.

In July 2007, Georgia Institute of Technology entered into a capital lease of $74,455,494 with Georgia Tech Facilities, Inc., an affiliated organization, for a complex of buildings collectively named "North Avenue Apartments", including an adjoining parking deck. The lease term is for 25 years and expires in June, 2032. At June 30, 2008 the remaining long-term debt obligation under the lease was $76,720,452 and the amount due (principal and interest) in the next fiscal year is $5,280,000.

In January 2008, Georgia Institute of Technology entered into a capital lease of $39,705,000 with Georgia Tech Facilities, Inc., an affiliated organization, for an Electrical Sub Station. The lease term is for 30 years and expires in December 2037. At June 30, 2008 the remaining long-term debt obligation under the lease was $39,485,146 and the amount due (principal and interest) in the next fiscal year is $3,000,000.

Georgia Institute of Technology also has one real property capital lease with an unrelated party. In June 2003, the Institute entered into a capital lease of $64,029,360 with the University Financing Foundation for the Technology Square Research Building. The lease term is for a 23-year period that began June 2003 and expires June 2026. At June 30, 2008 the remaining long-term debt obligation (principal) under the lease was $61,338,282 and the amount due (principal and interest) in the next fiscal year is $4,410,189. The Institute may cancel the lease agreement under prescribed terms if sufficient appropriations, revenues, income, grants or other funding sources are not available. The Institute is responsible for most operating costs such as repairs, utilities and insurance for this lease.

The Institute is obligated to various parties for the lease purchase of furniture, fixtures, equipment, and plant infrastructure improvements. These leases have various end dates through June 30, 2013. At June 30, 2008, the remaining long-term debt obligation under these agreements was $23,542,145. The amount due (principal and interest) in the next fiscal year is $7,965,511.

OPERATING LEASES

Georgia Institute of Technology's noncancellable operating leases with remaining terms of more than one year expire in various fiscal years from 2007 through 2009. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancelable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating

NOTE 10: LEASE OBLIGATIONS

OPERATING LEASES

leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases include real estate rentals, copiers and other small business equipment.

DESCRIPTION OF RELATED PARTY LEASES

In 1994, Georgia Institute of Technology entered into a real property operating lease with the Georgia Tech Research Corporation, (GTRC) a related party, for office space in Arlington, Virginia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $18,788. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay GTRC $225,456 in the next fiscal year.

In 1995, Georgia Institute of Technology entered into a real property operating lease with GTRC for office space in Smyrna, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $105,056. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay GTRC $1,260,670 in the next fiscal year.

In 1995, Georgia Institute of Technology entered into a real property operating lease with GTRC for office space in the Centennial Research Building in Atlanta, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $125,870. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay GTRC $1,510,440 in the next fiscal year.

In 2000, Georgia Institute of Technology entered into a real property operating lease with GTRC for office space in Fairburn, Ohio. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $16,788. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay GTRC $201,457 in the next fiscal year.

In 2002, Georgia Institute of Technology entered into a real property operating lease with GTRC for office space in Orlando, Florida. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $4,134. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay GTRC $49,611 in the next fiscal year.

In 2003, Georgia Institute of Technology entered into a real property operating lease with Georgia Advanced Technology Ventures, Inc., a related party, for office space in the Centergy One Building located at 75 Fifth Street in Atlanta, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $74,194. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay Georgia Advanced Technology Ventures, Inc., $890,322 in the next fiscal year.

NOTE 10: LEASE OBLIGATIONS

DESCRIPTION OF RELATED PARTY LEASES

In 2003, Georgia Institute of Technology entered into a real property operating lease with VLP 1, Inc., a subsidiary of Georgia Advanced Technology Ventures, Inc., a related party, for office and lab space located at 575 14th Street in Atlanta, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $55,763. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay VLP 1, Inc., $316,931 in the next fiscal year.

In 2003, Georgia Institute of Technology entered into a real property operating lease with VLP 2, Inc., a subsidiary of Georgia Advanced Technology Ventures, Inc., a related party, for office space located at 650 Ethel Street in Atlanta, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $24,384. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay VLP 2, Inc., $292,602 in the next fiscal year.

In 2004, Georgia Institute of Technology entered into a real property operating lease with GTRC for office space in Marietta, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 with monthly fees of $2,352. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay GTRC $28,000 in the next fiscal year.

In 2007, Georgia Institute of Technology entered into a real property operating lease with Georgia Advanced Technology Ventures, Inc., a related party, for office space in the Centergy One Building located at 75 Fifth Street in Atlanta, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $134,660. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay Georgia Advanced Technology Ventures, Inc., $1,615,925 in the next fiscal year.

In 2007, Georgia Institute of Technology entered into a real property operating lease with VLP 3, Inc., a subsidiary of Georgia Advanced Technology Ventures, Inc., a related party, for office space located at 395 North Avenue in Atlanta, Georgia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $34,736. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay VLP 3, Inc., $416,828 in the next fiscal year.

In 2007, Georgia Institute of Technology entered into a real property operating lease with GTRC for office space in Quantico, Virginia. The current agreement is for July 1, 2008 through June 30, 2009 for monthly fees of $5,348. The agreement does contain a renewal option. Under this agreement, Georgia Institute of Technology is obligated to pay GTRC $64,179 in the next fiscal year.

Georgia Institute of Technology's fiscal year 2008 expense for rental of real property and equipment under operating leases was $9,810,714.

NOTE 10: LEASE OBLIGATIONS

FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for operating leases having remaining terms in excess of one year as of June 30, 2008, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2009	$ 45,149,362	$ 9,606,316
2010	44,296,871	
2011	42,574,478	
2012	39,323,158	
2013	39,565,696	
2014 - 2018	194,181,260	
2019 - 2023	194,905,753	
2024 - 2028	172,078,400	
2029 - 2033	109,961,814	
2034 - 2037	28,443,497	
Total Minimum Lease Payments	$ 910,480,289	$ 9,606,316
Less: Interest	382,742,864	
Principal Outstanding	$ 527,737,425	

NOTE 11: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA

Plan Description

Georgia Institute of Technology participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly. TRS provides retirement allowances and other benefits for plan participants. TRS provides service retirement, disability retirement, and survivor's benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the TRS offices or from the Georgia Department of Audits and Accounts.

Funding Policy

Employees of Georgia Institute of Technology who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. Georgia Institute of Technology makes

NOTE 11: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA

Funding Policy

monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2008, the employer contribution rate was 9.28% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2008	100%	$ 18,963,675
2007	100%	$ 18,025,456
2006	100%	$ 17,233,661

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Plan Description

Georgia Institute of Technology participates in the Employees' Retirement System of Georgia (ERS), a cost-sharing multiple-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for employees of the State of Georgia.

The benefit structure of ERS is defined by State statute and was significantly modified on July 1, 1982. Unless elected otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. All other members are "new plan" members subject to the modified plan provisions.

Under both the old plan and new plan, members become vested after 10 years of creditable service. A member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60. Additionally, there are certain provisions allowing for retirement after 25 years of service regardless of age.

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to member's benefits. 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.

NOTE 11: RETIREMENT PLANS

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Plan Description

In addition, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP) effective January 1, 1998. The SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC 415.

The ERS issues a financial report each fiscal year, which may be obtained through ERS.

Funding Policy

As established by State statute, all full-time employees of the State of Georgia and its political subdivisions, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by State statute. The Institute's payroll for the year ended June 30, 2008, for employees covered by ERS was $567,198. The Institute's total payroll for all employees was $509,383,905.

For the year ended June 30, 2008 under the old plan, member contributions consist of 6.5% of annual compensation minus $7.00. Of these member contributions, the employee pays the first 1.5% and the Institute's pays the remainder on behalf of the employee.

Under the new plan, member contributions consist solely of 1.5% of annual compensation paid by employee. The Institute also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation for both old and new plans. For the year ended June 30, 2008, the ERS employer contribution rate for the Institute amounted to 10.41% of covered payroll and included the amounts contributed on behalf of the employees under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2008	100%	$ 59,300
2007	100%	$ 57,305
2006	100%	$ 43,713

Actuarial and Trend Information

Actuarial and historical trend information is presented in the ERS June 30, 2008 financial report, which may be obtained through ERS.

NOTE 11: RETIREMENT PLANS

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 is 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 a principal administrator, 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 (AIG-VALIC, American Century, 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

Georgia Institute of Technology 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 2008, the employer contribution was 8.13% for the first six months and 8.15% for the last six months of the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and nonforfeitable at all times.

Georgia Institute of Technology and the covered employees made the required contributions of $16,287,458 (8.13% or 8.15%) and $9,998,034 (5%), respectively.

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

GEORGIA DEFINED CONTRIBUTION PLAN

Plan Description

Georgia Institute of Technology participates in the Georgia Defined Contribution Plan (GDCP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDCP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

NOTE 11: RETIREMENT PLANS

GEORGIA DEFINED CONTRIBUTION PLAN

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than $3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

Contributions

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2008 amounted to $802,054 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

NOTE 12: RISK MANAGEMENT

The University System of Georgia offers its employees and retirees access to two different self-insured healthcare plan options - a PPO/PPO Consumer healthcare plan, and an indemnity healthcare plan. Georgia Institute of Technology and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare 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 University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of $2,000,000 per person. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the two self-insured healthcare plan products. In addition to the two different self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HSA/High Deductible PPO healthcare plan and two fully insured HMO healthcare plan options are also offered to System employees.

NOTE 12: RISK MANAGEMENT

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. Georgia Institute of Technology, 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 13: 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 expenditures that are disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although Georgia Institute of Technology expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against Georgia Institute of Technology (an organizational unit of the Board of Regents 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 (CAFR) for the fiscal year ended June 30, 2008.

NOTE 14: 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

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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. For 2007 and 2008 plan years, the employer rate was approximately 75% of the total health insurance cost for eligible retirees and the retiree rate was approximately 25%.

As of June 30, 2008, there were 1,211 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2008, Georgia Institute of Technology recognized as incurred $6,572,585 of expenditures, which was net of $2,114,450 of participant contributions.

NOTE 15: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The Institute's operating expenses by functional classification for fiscal year 2008 are shown below:

	Functional Classification				
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services
Salaries					
Faculty	$ 95,932,013	$ 134,828,067	$ 6,557,747	$ 5,735,222	$ 367,927
Staff	49,914,387	98,722,051	14,285,168	18,396,302	11,307,441
Employee Benefits	32,073,792	44,474,493	4,866,845	6,000,306	2,581,732
Other Personal Services	39,843	21,131	438,337	7,871	26,048
Travel	3,306,673	10,663,714	1,044,438	640,015	300,008
Scholarships and Fellowships					
Utilities	2,095,842	1,883,664	321,157	518,941	214,169
Supplies and Other Services	23,198,603	108,333,041	19,112,633	9,214,672	10,655,725
Depreciation	7,603,706	23,541,662	1,359,854	4,449,096	746,992
Total Operating Expenses	$ 214,164,859	$ 422,467,823	$ 47,986,179	$ 44,962,425	$ 26,200,042

	Functional Classification				
Natural Classification	Institutional Support	Plant Operations and Maintenance	Scholarships and Fellowships	Auxiliary Enterprises	Total Operating Expenses
Salaries					
Faculty	$ 1,710,206	$ 295,148		$ 41,698	$ 245,468,028
Staff	31,129,907	23,172,196		16,988,425	263,915,877
Employee Benefits	4,491,202	5,905,474		4,164,088	104,557,932
Other Personal Services	10,469	2,254		2,436	548,389
Travel	416,027	95,089		150,999	16,616,963
Scholarships and Fellowships			$ 10,919,734		10,919,734
Utilities	444,692	20,143,243		10,774,498	36,396,206
Supplies and Other Services	234,590	30,048,878		43,625,547	244,423,689
Depreciation	5,794,224	5,889,789		8,200,897	57,586,220
Total Operating Expenses	$ 44,231,317	$ 85,552,071	$ 10,919,734	$ 83,948,588	$ 980,433,038

NOTE 16: SPECIAL ITEM

Georgia State University, a University System of Georgia institution, transferred its University Village Student Housing Complex to Georgia Institute of Technology effective July 1, 2007. The complex contains approximately 2,000 student housing beds, 790 parking spaces, and site amenities and was renamed the North Avenue Apartments by the Institute.

Georgia Institute of Technology provided consideration for the complex totaling $45,455,494. The net book value of the capital asset transfer to Georgia Institute of Technology at July 1, 2007 was $53,372,143. The difference of $7,916,649 is reported as a Special Item - Capital Asset Transfer on the Statements of Revenues, Expenses and Changes in Net Assets and Cash Flows. See Note 6 for additional information.

NOTE 17: AFFILIATED ORGANIZATIONS

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, *The Reporting Entity*, which became effective for the year ended June 30, 2004, Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., and Georgia Tech Research Corporation have been determined to be legally separate, tax exempt organizations whose activities primarily support Georgia Institute of Technology, a unit of the University System of Georgia (an organizational unit of the State of Georgia). The State Accounting Office has determined Component Units of the State of Georgia, as required by GASB Statement No. 39, should be assessed in relation to their significance to the State of Georgia. Accordingly, Georgia Institute of Technology has not included financial activity for these affiliated organizations in these financial statements.

Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., and Georgia Tech Research Corporation have been determined significant to the State of Georgia for the year ended June 30, 2008, and as such, are reported as discretely presented component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). The significant discretely presented component units issue separate audited financial statements that can be obtained from the Board of Regents of the University System of Georgia.

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SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2008

SCHEDULE "1"

ASSETS	
Accounts Receivable	
Federal Financial Assistance	$ 33,522,496.07
Other	33,727,392.40
Prepaid Expenditures	12,549,374.18
Inventories	289,062.83
Other Assets	5,543,577.60
Total Assets	$ 85,631,903.08
LIABILITIES AND FUND EQUITY	
Liabilities	
Cash Overdraft	$ 15,004,420.84
Accounts Payable	26,110,736.00
Deferred Revenue	16,103,589.12
Funds Held for Others	15,295,138.32
Other Liabilities	9,351,450.23
Total Liabilities	$ 81,865,334.51
Fund Balances	
Reserved	
Capital Outlay	$ 2,929,316.27
Restricted/Sponsored Funds	347,083.65
Uncollectible Accounts Receivable	1,014,295.59
Carry-Over "Per State Accounting Office"	-1,189,669.34
Inventories	286,219.08
Unreserved	
Surplus	379,323.32
Total Fund Balances	$ 3,766,568.57
Total Liabilities and Fund Balances	$ 85,631,903.08

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 comprehensive basis of accounting other than generally accepted accounting principles.

GEORGIA INSTITUTE OF TECHNOLOGY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2008

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation			
State General Funds	$ 275,144,403.00	$ 275,144,403.00	$ 0.00
Other Funds	755,881,479.00	696,978,794.13	-58,902,684.87
Total Revenues	$ 1,031,025,882.00	$ 972,123,197.13	$ -58,902,684.87
CARRY-OVER FROM PRIOR YEAR			
Transfer from Reserved Fund Balance	0.00	26,162,429.46	26,162,429.46
Total Funds Available	$ 1,031,025,882.00	$ 998,285,626.59	$ -32,740,255.41
EXPENDITURES			
Special Funding Initiative	$ 931,082.00	$ 931,082.00	$ 0.00
Research Consortium	19,621,406.00	19,621,406.00	0.00
Advanced Technology Development Center/Economic Development Institute	29,574,712.00	27,175,514.08	2,399,197.92
Georgia Tech Research Institute	154,736,385.00	149,869,704.44	4,866,680.56
Teaching	826,162,297.00	812,649,991.31	13,512,305.69
Total Expenditures	$ 1,031,025,882.00	$ 1,010,247,697.83	$ 20,778,184.17
Excess of Funds Available over Expenditures	$ 0.00	$ -11,962,071.24	$ -11,962,071.24
FUND BALANCE JULY 1			
Reserved		27,391,315.47	
ADJUSTMENTS			
Prior Year Payables/Expenditures		563,596.88	
Prior Year Receivables/Revenues		-184,273.56	
Increase (Decrease) in Inventories		12,715.76	
Non-Mandatory Transfer		14,107,714.72	
Prior Year Reserved Fund Balance Included in Funds Available		-26,162,429.46	
FUND BALANCE JUNE 30		$ 3,766,568.57	
SUMMARY OF FUND BALANCE			
Reserved			
Capital Outlay		$ 2,929,316.27	
Restricted/Sponsored Funds		347,083.65	
Uncollectible Accounts Receivable		1,014,295.59	
Carry-Over "Per State Accounting Office"		-1,189,669.34	
Inventories		286,219.08	
Total Reserved		$ 3,387,245.25	
Unreserved			
Surplus		379,323.32	
Total Fund Balance		$ 3,766,568.57	

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 comprehensive basis of accounting other than generally accepted accounting principles.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF PROGRAM REVENUES AND EXPENDITURES BY FUNDING SOURCE COMPARED TO BUDGET
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2008

	Original Appropriation	Final Budget	Funds Available Compared to Budget: Current Year Revenues	Prior Year Carry-Over	Total Funds Available	Variance Positive (Negative)
Special Funding Initiatives						
State Appropriation						
State General Funds	$ 631,882.00	$ 931,082.00	$ 931,082.00	$ 0.00	$ 931,082.00	$ 0.00
Research Consortium						
State Appropriation						
State General Funds	$ 9,955,999.00	$ 19,621,406.00	$ 19,621,406.00	$ 0.00	$ 19,621,406.00	$ 0.00
Advanced Technology Development Center						
State Appropriation						
State General Funds	$ 15,099,712.00	$ 15,099,712.00	$ 15,099,712.00	$ 0.00	$ 15,099,712.00	$ 0.00
Other Funds	12,875,000.00	14,475,000.00	12,042,668.25	0.00	12,042,668.25	-2,432,331.75
Total Advanced Technology Development Center	$ 27,974,712.00	$ 29,574,712.00	$ 27,142,380.25	$ 0.00	$ 27,142,380.25	$ -2,432,331.75
Georgia Tech Research Institute						
State Appropriation						
State General Funds	$ 7,868,427.00	$ 7,868,427.00	$ 7,868,427.00	$ 0.00	$ 7,868,427.00	$ 0.00
Other Funds	122,917,958.00	146,867,958.00	142,001,279.33	0.00	142,001,279.33	-4,866,678.67
Total Georgia Tech Research Institute	$ 130,786,385.00	$ 154,736,385.00	$ 149,869,706.33	$ 0.00	$ 149,869,706.33	$ -4,866,678.67
Teaching						
State Appropriation						
State General Funds	$ 225,628,986.00	$ 231,623,776.00	$ 231,623,776.00	$ 0.00	$ 231,623,776.00	$ 0.00
Other Funds	584,529,494.00	594,538,521.00	542,934,846.55	26,162,429.46	569,097,276.01	-25,441,244.99
Total Teaching	$ 810,158,480.00	$ 826,162,297.00	$ 774,558,622.55	$ 26,162,429.46	$ 800,721,052.01	$ -25,441,244.99
Grand Totals - All Programs	$ 979,507,458.00	$ 1,031,025,882.00	$ 972,123,197.13	$ 26,162,429.46	$ 998,285,626.59	$ -32,740,255.41

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 comprehensive basis of accounting other than generally accepted accounting principles.

Expenditures Compared to Budget		Actual							
Actual	Variance Positive (Negative)	Funds Available Over/(Under) Expenditures	Prior Period Adjustments	Other Adjustments	Program Fund Balances	Transfers	Program Fund Balances Reserve	Program Fund Balances Surplus	Total Fund Balance
$ 931,082.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ 19,621,406.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ 15,099,712.26	$ -0.26	$ -0.26	$ 16,806.44	$ 0.26	$ 16,806.44	$ 0.00	$ 0.00	$ 16,806.44	$ 16,806.44
12,075,801.82	2,399,198.18	-33,133.57	8,410.50	46,268.01	21,544.94	0.00	13,134.44	8,410.50	21,544.94
$ 27,175,514.08	$ 2,399,197.92	$ -33,133.83	$ 25,216.94	$ 46,268.27	$ 38,351.38	$ 0.00	$ 13,134.44	$ 25,216.94	$ 38,351.38
$ 7,868,427.00	$ 0.00	$ 0.00	$ 1,294.50	$ 0.00	$ 1,294.50	$ 0.00	$ 0.00	$ 1,294.50	$ 1,294.50
142,001,277.44	4,866,680.56	1.89	73,237.59	115,397.67	188,637.15	0.00	115,399.56	73,237.59	188,637.15
$ 149,869,704.44	$ 4,866,680.56	$ 1.89	$ 74,532.09	$ 115,397.67	$ 189,931.65	$ 0.00	$ 115,399.56	$ 74,532.09	$ 189,931.65
$ 231,623,776.00	$ 0.00	$ 0.00	$ 151,425.68	$ 0.00	$ 151,425.68	$ 0.00	$ 0.00	$ 151,425.68	$ 151,425.68
581,026,215.31	13,512,305.69	-11,928,939.30	128,148.61	13,887,135.88	2,086,345.19	0.00	1,958,196.58	128,148.61	2,086,345.19
$ 812,649,991.31	$ 13,512,305.69	$ -11,928,939.30	$ 279,574.29	$ 13,887,135.88	$ 2,237,770.87	$ 0.00	$ 1,958,196.58	$ 279,574.29	$ 2,237,770.87
$ 1,010,247,697.83	$ 20,778,184.17	$ -11,962,071.24	$ 379,323.32	$ 14,048,801.82	$ 2,466,053.90	$ 0.00	$ 2,086,730.58	$ 379,323.32	$ 2,466,053.90

Unexpendable Reserves	
Uncollectible Accounts Receivable	1,014,295.59
Inventories	286,219.08
	$ 3,766,568.57

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GEORGIA INSTITUTE OF TECHNOLOGY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2008

SCHEDULE "4"

		SALARIES	TRAVEL
Totals per Annual Supplement		$ 506,730,247	$ 16,616,963
Accruals - Payroll			
June 30, 2008		1,179,451	
June 30, 2007		-937,851	
Compensated Absences			
June 30, 2008		30,918,102	
June 30, 2007		-29,240,190	
Adjustments			
Shared Services on Jointly Staffed Personnel			
Board of Regents of the University System of Georgia			
Barnes,	Rosalind	86,085	
Bearden,	Alison	3,130	
Birkes,	Angela	24,654	
Bradley,	Allison	1,403	
Chalasani,	Kanti	71,641	
Ervin,	Juanita	24,614	
Hughes,	Michael	36,774	
Jean-Baptiste,	Rebecca	38,532	
Johnson,	Joy	8,840	
Jones,	Shelia	72,712	
Kilpatrick,	Toyna	17,151	
Mast,	Amy	89,672	
Paterson,	Patricia	25,313	
Pevey,	Mark	87,869	
Reaves,	Jonathan	872	
Sommer,	Candice	50,834	
Stewart,	Janet	30,328	
Thomas,	Cheryl	31,638	
Wolf-Ward,	Tina	45,407	
Georgia State University			
Elliot,	Michael	-7,000	
Unidentified Variance		-6,324	
		$ 509,383,905	$ 16,616,963

SECTION II

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA INSTITUTE OF TECHNOLOGY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-503-07-01	Previously Reported Corrective Action Implemented
FS-503-07-02	Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION III

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA INSTITUTE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.