GEORGIA INSTITUTE OF TECHNOLOGY

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2015

INCLUDING INDEPENDENT AUDITOR'S REPORT

Georgia Institute of Technology

GEORGIA INSTITUTE OF TECHNOLOGY

- TABLE OF CONTENTS -

GEORGIA INSTITUTE OF TECHNOLOGY

- TABLE OF CONTENTS -

SECTION I

INTRODUCTORY SECTION

Message from the President

The Georgia Institute of Technology is celebrating its 130th anniversary in 2015. If the "father of Georgia Tech," Nathaniel Harris, could see what his brainchild has become since he helped pass the bill in the Georgia legislature that created Georgia Tech in 1885, he would surely be impressed. Georgia Tech continues to be a destination for many of the best and brightest students in the country and the world, particularly for those interested in technology. It's also a launching point for scientific and technological advances that are dramatically improving the human experience both here and abroad. Highlights from FY2015 include:

- More than 23,000 students enrolled at Georgia Tech this past year representing a majority of Georgia counties, all 50 states and 115 countries. Within this record enrollment, more than 2,300 students are seeking a graduate credential through the Online Master of Science in Computer Science (OMS-CS). Georgia Tech ranks No. 6 on *U.S. News and World Report*'s list of the 100 Best Global Universities for Engineering.
- President Barack Obama addressed a crowd of almost 10,000, mostly students, at McCamish Pavilion and called Georgia Tech "one of the finest technical institutes in the world." A White House spokeswoman said the Institute was selected for a presidential visit because of its high job-placement rates, debt-free enrollment for certain qualified students (G. Wayne Clough Georgia Tech Promise scholars), and the OMS-CS.
- Thirteen of Georgia Tech's 17 varsity sports scored 980 or higher of a possible 1,000 points on their Academic Progress Report (APR), including two teams (golf, men's swimming) that posted perfect four-year scores of 1,000. After winning 11 games for the fifth time in the football program's history, the Yellow Jackets (11-3) finished No. 8 in the final AP Top 25 Poll.
- The Home Depot, Coca-Cola Enterprises (CCE), Southern Company, NCR and Worldpay, developed innovation centers in Tech Square. These centers allow for interaction with the talent and expertise that exists at Georgia Tech in our students, faculty, and staff. Both NCR and Worldpay have announced that they are moving their corporate headquarters (and more than 5,000 jobs combined) to be closer to Georgia Tech.
- The Enterprise Innovation Institute (EI^2) within the past year has helped more than 1,440 Georgia manufacturers create or retain 1,910 jobs, save $40 million, and increase sales by $219 million. EI^2 assisted faculty members in evaluating 235 research innovations and helped form 30 new companies based on this intellectual property. In all, Georgia Tech research innovations drew $33 million in direct investment and created 737 jobs. It also helped Georgia companies secure $592 million in government contracts and create or save an estimated 11,850 jobs.
- The Institute is among the nation's top 10 in research expenditures for universities without a medical school. Georgia Tech researchers are delving into problems ranging from energy efficiency to cybersecurity.
- Thanks to the leadership of "Campaign Georgia Tech" co-chairs John and Mary Brock and the generosity of more than 60,000 donors, Georgia Tech exceeded its $1.5 billion capital campaign target more than a year early. Resources are facilitating everything from scholarships and assistantships to construction and renovations. In the last few months of the campaign, the goal is to ensure that all colleges, schools, and programs have every possible chance to meet and exceed their respective goals.

This is a tremendously exciting time to be at the Georgia Institute of Technology, and the reason is simple: momentum. In every aspect of what we do to further our mission, and by every meaningful barometer of progress, Georgia Tech's influence and reputation continue to grow at a rapid pace. We are proud to be a contributing member of the University System of Georgia and will continue to expand our reach in our ongoing effort to improve the human condition here and around the world.

G. P. "Bud" Peterson
President

Letter of Transmittal

August 11, 2015

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

The Annual Financial Report (AFR) for the Georgia Institute of Technology includes the financial statements for the year ended June 30, 2015, as well as other useful information to help ensure the Institute’s accountability and integrity to the public. The AFR also includes Management’s Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broad and thorough understanding of the Institute’s financial position as a result of operations for the fiscal year ended June 30, 2015.

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

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

Sincerely,

Mr. Steven G. Swant
Executive Vice President
Administration and Finance

SECTION II

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

December 18, 2015

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying basic financial statements (Exhibits A through D) of the Georgia Institute of Technology, a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Georgia Institute of Technology's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Georgia Institute of Technology's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Georgia Institute of Technology as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Georgia Institute of Technology are intended to present the financial position 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 the Georgia Institute of Technology. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2015, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2015, the Georgia Institute of Technology adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Georgia Institute of Technology restated beginning Net Position for the cumulative effect of these accounting changes which had a significant impact on Georgia Institute of Technology's financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 17 and the Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems and Notes to the Required Supplementary Information on pages 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Georgia Institute of Technology. The accompanying supplementary information (Schedules 6 through 11) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information (Schedules 6 through 11) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Georgia Institute of Technology's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Georgia Institute of Technology's internal control over financial reporting and compliance.

Respectfully,

Greg S. Griffin
State Auditor

GSG:as
15ARL-62

GEORGIA INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis

Introduction

The Georgia Institute of Technology (Georgia Tech or the Institute) is one of the thirty (30) institutions of higher education within the University System of Georgia (USG). Georgia Tech is one of the nation's top research universities and an international leader in scientific and technological research and education. Distinguished by its commitment to improving the human condition through the advancement of science and technology, Georgia Tech provides a focused, technology-based education for more than 23,000 undergraduate and graduate students. Georgia Tech offers degrees through the Colleges of Architecture, Computing, Engineering, Sciences, the Scheller College of Business and the Ivan Allen College of Liberal Arts. As a leading technological institute, Georgia Tech has over 200 research centers and laboratories that consistently contribute vital research and innovation to government, industry, and business on a national as well as an international scale.

Accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), Georgia Tech is a member of the Association of American Universities (AAU), an association of 62 leading research universities in the United States and Canada. Georgia Tech has awarded more engineering degrees to women than any other school since 2007 and has awarded more engineering degrees to minority students than any other university in the nation according to *Diverse Issues in Higher Education*. Georgia Tech offers many nationally recognized programs and has been ranked as one of the country's Top Ten public universities for more than 16 years by *U.S. News and World Report*. These impressive national rankings reflect the academic prestige long associated with the Georgia Tech curriculum. Payscale.com ranks Georgia Tech first in the nation in annualized return on investment (ROI) based on the financial return graduates earn from their degrees. Equipped with the extremely rich resources of an outstanding student body, faculty and staff, strong partnerships with business, industry, and governments and support from alumni and friends, Georgia Tech is designing a future of global preeminence, leadership, and service.

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

	Faculty	Students (Headcount)	Students (FTE)
Fiscal Year 2015	1,264	23,108	21,112
Fiscal Year 2014	1,086	21,471	20,134
Fiscal Year 2013	1,043	21,558	20,245

Overview of the Financial Statements and Financial Analysis

Georgia Institute of Technology is pleased to present its financial statements for fiscal year 2015. The discussion of these statements will focus on current year data. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Institute's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2015 and fiscal year 2014. However, the comparative data for fiscal year 2014 does not reflect the effects of the restatement of the Institute's July 1, 2014 net position. This restatement is related to the implementation of Governmental Accounting Standards Board (GASB) Statement

No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made subsequent to the Measurement Date*, which were adopted by the Institute for fiscal year 2015. The provisions of these Statements establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement resulted in a restatement to the Institute's beginning net position of $344,876,656. This restatement is based on actuarial estimates, and information is not available for the fiscal year 2014 comparative balances. See Note 1 in the Notes to the Financial Statements for more information about the restatement of the Institute's July 1, 2014 net position.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2015 and includes all assets, deferred outflows of resources, liabilities, both current and noncurrent and deferred inflows of resources. The differences between current and noncurrent assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented on the next page, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution and how much the institution owes vendors. The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources (net position) is one indicator of the Institute's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the institution's financial health when considered in conjunction with other nonfinancial conditions, such as facilities and enrollment. Net Position is divided into three major categories: The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the institution; the second category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the institution but must be spent for purposes as determined by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets; and the third category is unrestricted. Unrestricted resources are available to the institution for any lawful purpose.

Statement of Net Position, Condensed

	June 30, 2015	June 30, 2014 (1)
Assets		
Current Assets	$ 348,773,169	$ 348,964,700
Capital Assets, Net	1,831,242,898	1,726,133,331
Other Assets	87,352,367	87,447,329
Total Assets	2,267,368,434	2,162,545,360
Deferred Outflows of Resources	37,501,287	0
Liabilities		
Current Liabilities	169,641,534	171,370,502
Noncurrent Liabilities	740,209,087	483,782,755
Total Liabilities	909,850,621	655,153,257
Deferred Inflows of Resources	105,674,412	0
Net Position		
Net Investment in Capital Assets	1,356,511,659	1,245,844,977
Restricted		
Nonexpendable	63,034,726	63,073,867
Expendable	29,992,163	60,720,091
Unrestricted	-160,193,860	137,753,168
Total Net Position	$ 1,289,344,688	$ 1,507,392,103

(1) The June 30, 2014 amounts do not reflect the effects of the restatement of July 1, 2014 Net Position due to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. See Note 1 in the Notes to the Financial Statements for more information.

Total assets and deferred outflows of resources increased by $142,324,361, primarily due to an increase of $105,109,567 in the category of Capital Assets, Net. The addition of the Engineered Biosystems Building (EBB) accounted for the majority of this increase. The balance of the increase is mostly due to Deferred Outflows of Resources related to Defined Benefit Pension Plans of $37,501,287 which resulted from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Total liabilities and deferred inflows of resources increased for the year by $360,371,776 which was primarily due to an increase of $256,426,332 in the category of Noncurrent Liabilities. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* required the Institute to record a Net Pension Liability of $275,455,423. This transaction is largely responsible for the increase in Noncurrent Liabilities in fiscal year 2015. The factors listed above netted an overall decrease in fiscal year 2015 Total Net Position of $218,047,415.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the 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, 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 Position, Condensed

	June 30, 2015	June 30, 2014 (1)
Operating Revenues	$ 1,204,924,712	$ 1,123,451,473
Operating Expenses	1,410,869,904	1,332,066,331
Operating Loss	-205,945,192	-208,614,858
Nonoperating Revenues and Expenses	264,242,460	266,106,797
Income Before Other Revenues, Expenses, Gains or Losses	58,297,268	57,491,939
Other Revenues, Expenses, Gains or Losses	68,531,973	6,975,837
Increase in Net Position	126,829,241	64,467,776
Net Position at Beginning of Year, as Originally Reported	1,507,392,103	1,442,924,327
Prior Year Adjustments	-344,876,656	
Net Position at Beginning of Year, Restated	1,162,515,447	1,442,924,327
Net Position at End of Year	$ 1,289,344,688	$ 1,507,392,103

(1) The June 30, 2014 amounts do not reflect the effects of the restatement of July 1, 2014 Net Position due to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. See Note 1 in the Notes to the Financial Statements for more information.

Net Position on the Statement of Revenues, Expenses and Changes in Net Position increased by $62,361,465 to $126,829,241 due to current year activity. This increase excludes the prior period adjustment reflected in the beginning net position related to the effects of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Institute would have reflected a positive year and increase in net position had this change not been implemented.

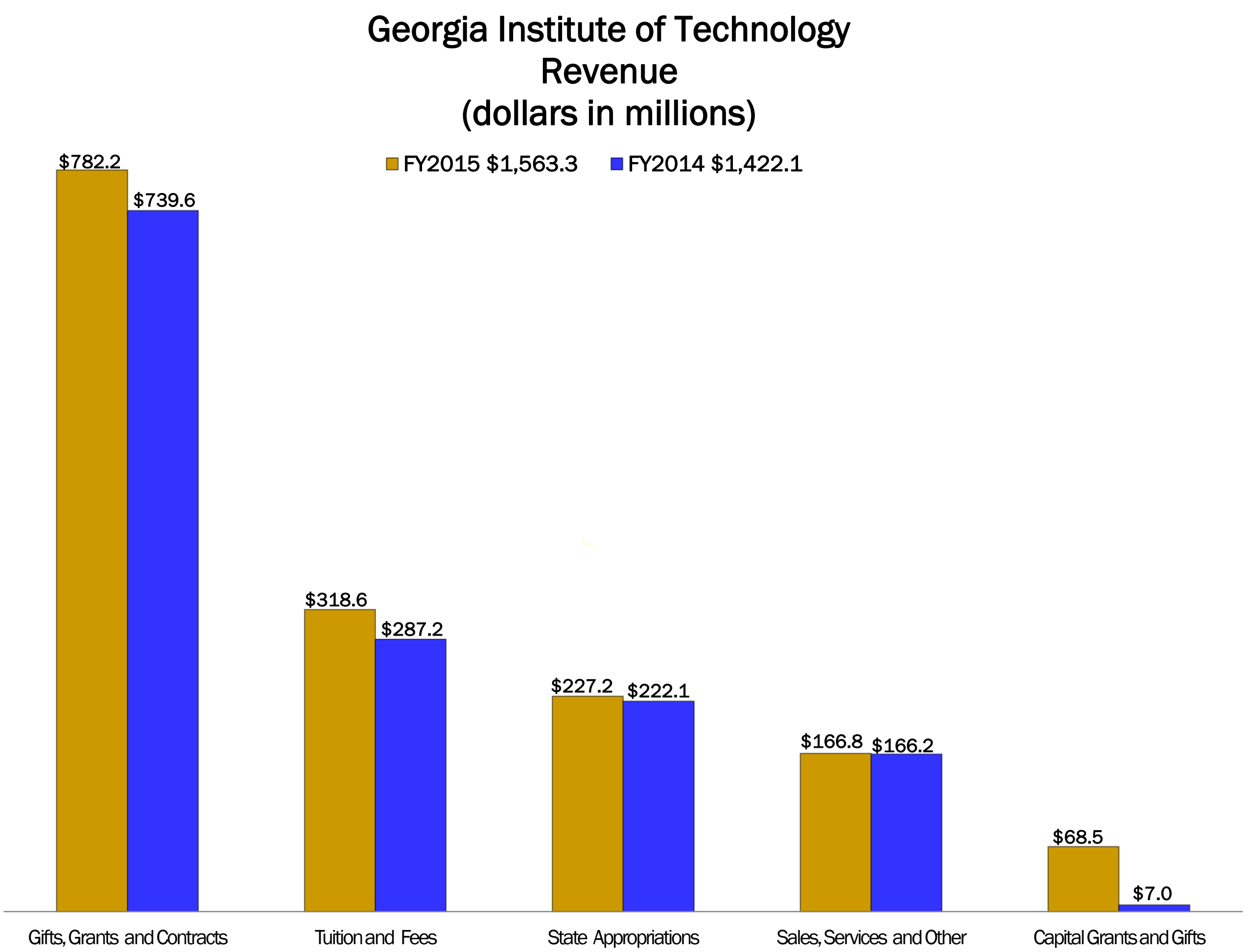
Revenue by Source
For the Years Ended June 30, 2015 and June 30, 2014

	June 30, 2015	June 30, 2014
Operating Revenue		
Tuition and Fees	$ 318,573,215	$ 287,203,042
Grants and Contracts	736,072,416	695,110,524
Sales and Services of Educational Departments	40,815,196	32,472,698
Auxiliary	104,589,416	99,081,204
Other	4,874,469	9,584,005
Total Operating Revenue	1,204,924,712	1,123,451,473
Nonoperating Revenue		
State Appropriations	227,216,008	222,083,429
Federal Grants and Contracts	12,078,924	12,691,771
Gifts	34,074,456	31,842,763
State Grants and Contracts	15,151,193	14,358,407
Other	1,410,167	10,674,976
Total Nonoperating Revenue	289,930,748	291,651,346
Capital Grants and Gifts		
State	68,531,973	6,343,221
Other		632,616
Total Capital Grants and Gifts	68,531,973	6,975,837
Total Revenues	$ 1,563,387,433	$ 1,422,078,656

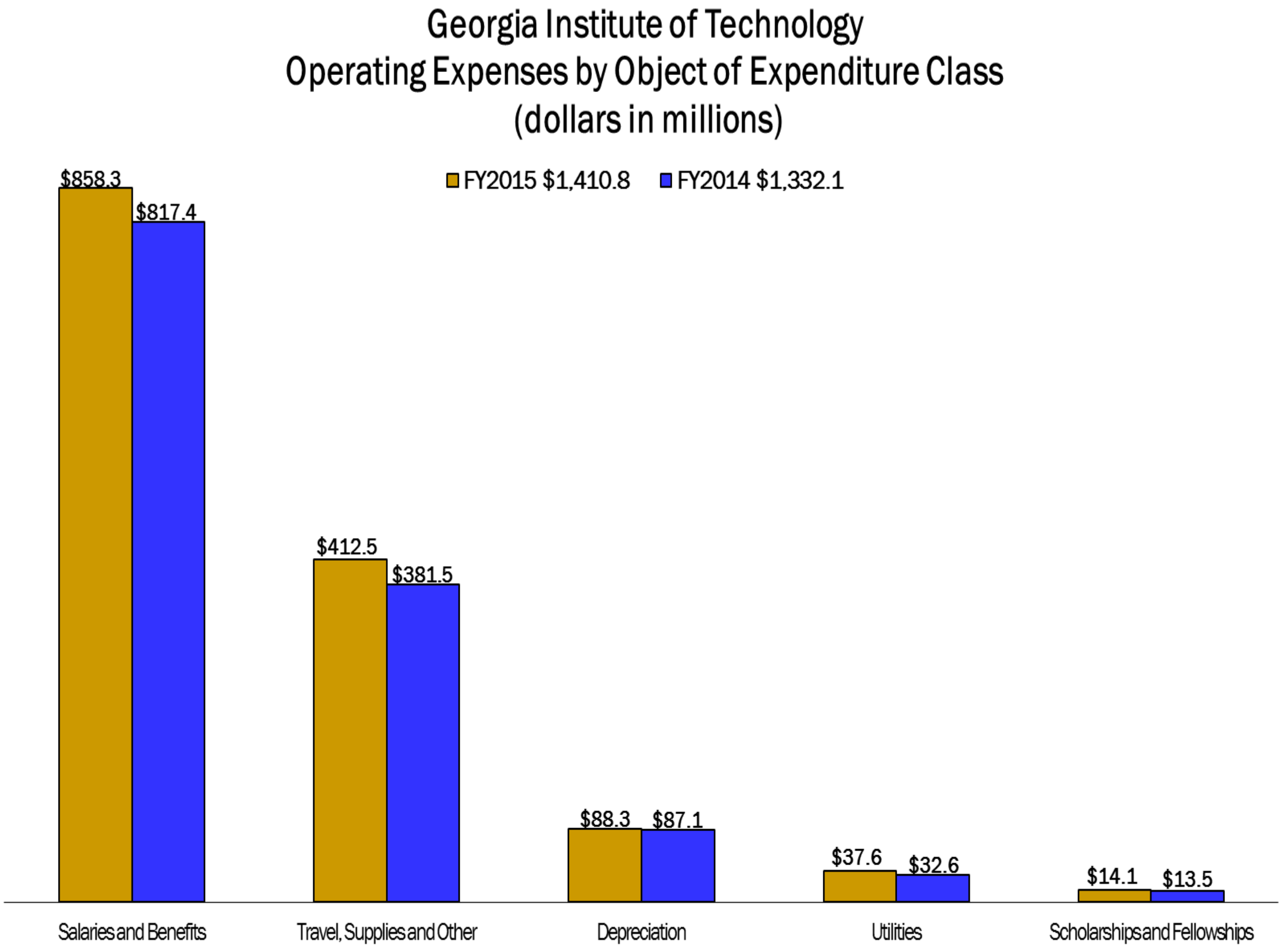
Expenses (By Functional Classification)
For the Years Ended June 30, 2015 and June 30, 2014

	June 30, 2015	June 30, 2014
Operating Expenses		
Instruction	$ 293,027,746	$ 257,746,216
Research	650,312,846	645,922,589
Public Service	51,880,478	49,671,740
Academic Support	50,945,354	51,738,333
Student Services	32,711,879	32,666,736
Institutional Support	88,262,713	71,155,659
Plant Operations and Maintenance	147,512,362	132,647,416
Scholarships and Fellowships	14,076,074	13,481,650
Auxiliary Enterprises	82,140,452	77,035,992
Total Operating Expenses	1,410,869,904	1,332,066,331
Nonoperating Expenses		
Interest Expense (Capital Assets)	25,688,288	25,544,549
Total Expenses	$ 1,436,558,192	$ 1,357,610,880

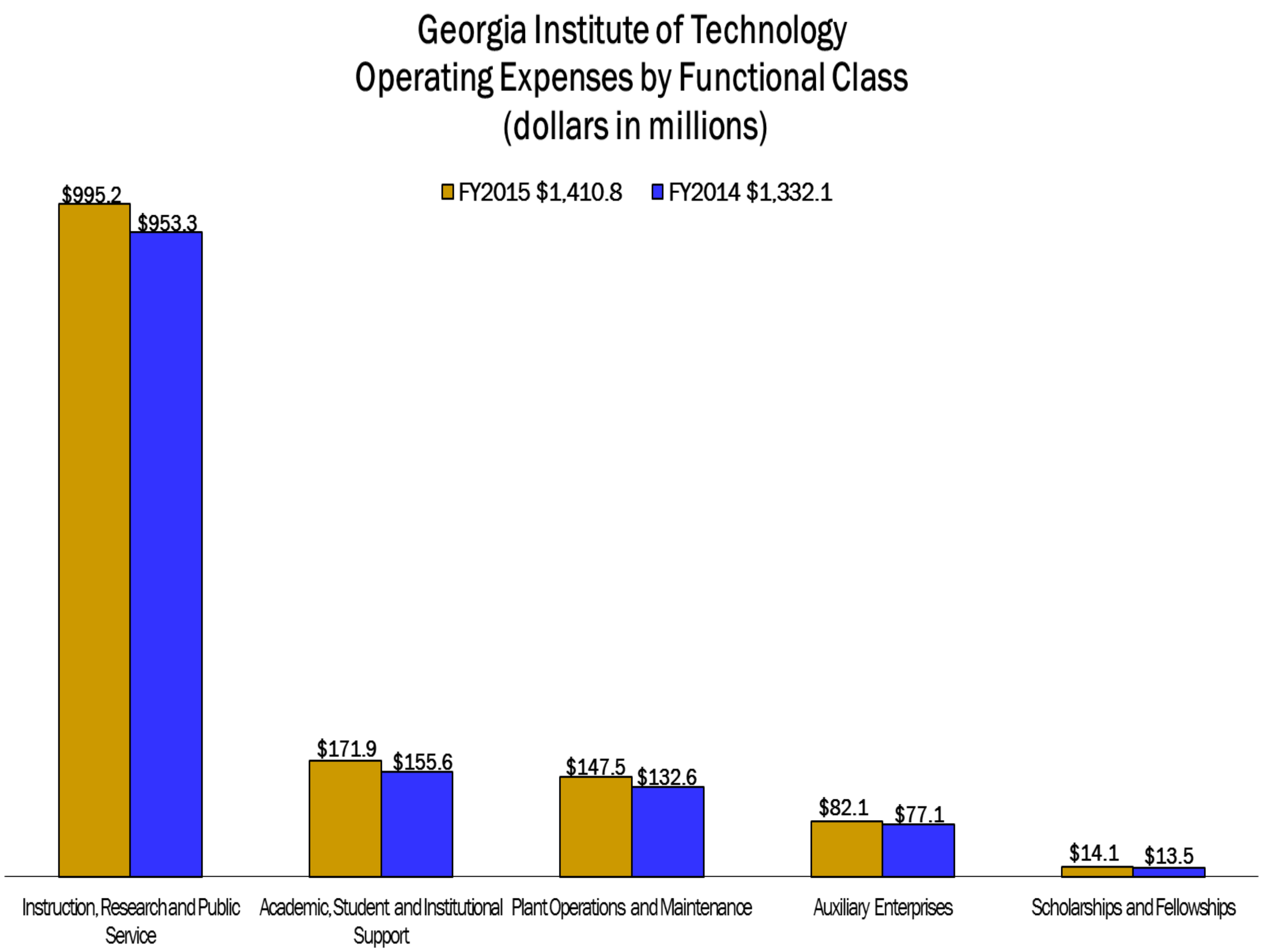
On the Statement of Revenue, Expenses and Changes in Net Position, Operating Revenue which includes categories such as Tuition and Fees, Operating Grants and Contracts, and Sales and Services increased by a total of $81.5 million. Nonoperating Revenue which includes categories such as State Appropriations, Nonoperating Gifts, Grants and Contracts and Investment Income decreased by $1.7 million. Lastly, Capital Grants and Gifts increased by $61.6 million, attributable to the Georgia State Financing and Investment Commission's (GSFIC) funding for the new Engineered Biosystems Building (EBB). Overall revenue for fiscal year 2015 increased by $141.2 million over the previous fiscal year as illustrated in the graph below. Aside from GSFIC funding received in fiscal year 2015, this increase is reflective of very stable revenues. The $782.2 million in revenue from Gifts, Grants and Contracts includes $76.9 million of direct expense reimbursements from the Georgia Tech Foundation, increasing from $69.1 million in fiscal year 2014.



In the Operating Expenses by Object of Expenditure Class graph below, Total Operating Expenses for fiscal year 2015 totaled $1,410.8 million. Salaries and Benefits expenses increased by $40.9 million from fiscal year 2014 to fiscal year 2015 while Travel, Supplies and Other expenses increased by $31.0 million. Overall operating expenses increased by $78.7 million, or 5.9% over the previous fiscal year reflecting relatively stable operating expenses year over year.



As shown in the Operating Expenses by Functional Class graph below, Instruction, Research and Public Service expenses increased by $41.9 million, while operating expenses for Academic, Student and Institutional Support increased by $16.3. Operating expenses for Plant Operations and Maintenance, Auxiliary Enterprises, and Scholarships and Fellowships increased by $14.9 million, $5.1 million, and $0.6 million, respectively. The changes listed above resulted in a $78.7 million (5.9%) increase in overall operating expenses for the fiscal year.



Statement of Cash Flows

The final statement presented by the Georgia Institute of Technology is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. Cash flow information can be used to evaluate the financial viability of the Institute's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part addresses 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 reports cash flows from capital and related financing activities. This section shows 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 Position.

Cash Flows for the Years Ended June 30, 2015 and June 30, 2014, Condensed

	June 30, 2015	June 30, 2014
Cash Provided (Used) By:		
Operating Activities	$ -99,058,833	$ -88,323,751
Noncapital Financing Activities	242,836,559	253,757,670
Capital and Related Financing Activities	-164,640,926	-141,568,177
Investing Activities	15,307,599	6,829,586
Net Change in Cash	-5,555,601	30,695,328
Cash, Beginning of Year	231,342,213	200,646,885
Cash, End of Year	$ 225,786,612	$ 231,342,213

Capital Assets

The Institute had one significant capital asset addition in fiscal year 2015. The Engineered Biosystems Building (EBB) was completed this year and placed into service in June 2015, resulting in a $97,781,185 million capital asset addition, which includes a $93,059,262 transfer from the Georgia State Financing and Investment Commission (GSFIC) and $4,721,923 of direct expenses by the Institute.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

Georgia Institute of Technology had Long-Term Liabilities of $784,294,693 of which $44,085,606 was reflected as current liability at June 30, 2015.

For additional information concerning Long-Term Liabilities, see Note 1, 8 and 13 in the Notes to the Financial Statements.

Fiscal Year 2015 Economic Outlook

The financial position of the Georgia Institute of Technology is strong, as evidenced by the Institute's fiscal year 2015 operating results. Management anticipates that fiscal year 2016 will be similar to the prior year in terms of operating revenues and expenses, and will maintain a close watch over resources in order to respond to both emerging challenges and opportunities. Key to this effort is monitoring primary sources of revenue, to include tuition, State Appropriations, and sponsored operations, as well as prudent management of capital and other reserves.

Tuition

Georgia Tech's enrollment is expected to remain stable, with a slight increase anticipated in fiscal year 2016. The Board of Regents (BOR) has supported recent tuition changes, approving increases for resident undergraduate students in both 2015 and 2016. This has moved Georgia Tech tuition rates closer to the Institute's public peer institutions. In fiscal year 2015, enrollment and tuition increases together generated a 10% tuition revenue increase over the previous year, and the Institute expects continued growth in tuition revenue in the current fiscal year.

State Appropriations

The University System of Georgia (USG) operates under a formula funding system. This formula is mainly based on enrollment, but is contingent upon the State Legislature's approval of new USG funding. The current formula involves a calculus that aggregates the funding needs of all institutions to provide a continuous level of support for the "Resident Instruction" fund. This fund supports instructional, research, facilities, student services, and other institutional needs. Georgia Tech is confident that its strong academic performance and enrollment will continue to be recognized and supported by the State of Georgia and the USG in fiscal year 2016.

Sponsored Operations

Due chiefly to the strong performance of the Georgia Tech Research Institute, Georgia Tech's grants and contracts revenue increased 6% in fiscal year 2015. Georgia Tech received new awards totaling $648 million in fiscal year 2015, representing a 6% decrease from the record $688 million in awards received the prior year. Based on the level of existing multi-year awards, Georgia Tech fully expects to maintain its solid research position in the current fiscal year, and is actively monitoring the funding landscape in order to respond to external changes impacting future operations.

Reserves

Georgia Tech has succeeded in carrying over a portion of its indirect cost revenue for four straight years including fiscal year 2015, and has slightly increased the amount each year. These funds are earmarked for capital reserves and other funding priorities.

Georgia Tech's Auxiliary Enterprises continue to maintain solid reserves necessary to cover required capital improvements in future years. From these reserves, the Institute was able to fund 2016 cost increases in the transportation and student health organizations, thereby avoiding a reduction in service. The Institute expects to seek approval of fee increases to cover anticipated cost increases.

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

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

(This page left intentionally blank)

BASIC FINANCIAL STATEMENTS

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "A"

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 225,301,617
Short-Term Investments	154,739
Accounts Receivable, Net (Note 3)	
Receivables - Federal Financial Assistance	64,162,489
Receivables - Other	36,674,842
Due from Affiliated Organizations	10,317,251
Inventories (Note 4)	831,889
Prepaid Items	11,330,342
Total Current Assets	348,773,169
Noncurrent Assets	
Noncurrent Cash	484,995
Due from USO - Capital Liability Reserve Fund	2,275,907
Investments	72,285,750
Notes Receivable, Net	12,305,715
Capital Assets, Net (Note 6)	1,831,242,898
Total Noncurrent Assets	1,918,595,265
Total Assets	2,267,368,434
Deferred Outflows of Resources	
Related to Defined Benefit Pension Plans	37,501,287
LIABILITIES	
Current Liabilities	
Accounts Payable	40,405,843
Salaries Payable	2,559,922
Benefits Payable	565,668
Contracts Payable	7,708,843
Deposits	37,631,893
Advances (Including Tuition and Fees) (Note 7)	23,210,481
Other Liabilities	2,472,078
Deposits Held for Other Organizations	10,912,947
Lease Purchase Obligations	16,328,967
Compensated Absences	27,756,639
Due to Affiliated Organizations	88,253
Total Current Liabilities	169,641,534
Noncurrent Liabilities	
Lease Purchase Obligations	448,693,429
Compensated Absences	16,060,235
Net Pension Liability	275,455,423
Total Noncurrent Liabilities	740,209,087
Total Liabilities	909,850,621
Deferred Inflows of Resources	
Deferred Grants	3,761,209
Related to Defined Benefit Pension Plans	95,844,453
Other Deferred Inflows of Resources	6,068,750
Total Deferred Inflows of Resources	105,674,412
NET POSITION	
Net Investment in Capital Assets	1,356,511,659
Restricted for:	
Nonexpendable	63,034,726
Expendable	29,992,163
Unrestricted (Deficit)	-160,193,860
Total Net Position	$ 1,289,344,688

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

EXHIBIT "B"

OPERATING REVENUES		
Student Tuition and Fees (Net of Allowance for Doubtful Accounts)	$	359,168,001
Less: Scholarship Allowances		-40,594,786
Grants and Contracts		
Federal		517,937,509
Federal Stimulus		2,969,418
State		10,462,205
Other		204,703,284
Sales and Services		40,815,196
Rents and Royalties		632,712
Auxiliary Enterprises		
Residence Halls		71,124,412
Bookstore		1,974,021
Food Services		3,028,241
Parking/Transportation		17,082,211
Health Services		8,942,880
Other Organizations		2,437,651
Other Operating Revenues		4,241,757
Total Operating Revenues		1,204,924,712
OPERATING EXPENSES		
Salaries		
Faculty		369,505,069
Staff		335,159,661
Employee Benefits		152,839,733
Other Personal Services		794,568
Travel		27,417,673
Scholarships and Fellowships		14,076,074
Utilities		37,627,838
Supplies and Other Services		385,123,253
Depreciation/Amortization		88,326,035
Total Operating Expenses		1,410,869,904
Operating Loss		-205,945,192
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		227,216,008
Grants and Contracts		
Federal		12,078,924
Gifts		34,074,456
Investment Income (Endowments, Auxiliary and Other)		15,151,193
Interest Expense (Capital Assets)		-25,688,288
Other Nonoperating Revenues		1,410,167
Net Nonoperating Revenues		264,242,460
Income Before Other Revenues, Expenses, Gains, or Losses		58,297,268
Capital Grants and Gifts		
State		68,531,973
Increase in Net Position		126,829,241
Net Position - Beginning of Year, Restated		1,162,515,447
Net Position - End of Year	$	1,289,344,688

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 318,862,986
Grants and Contracts (Exchange)	734,792,698
Sales and Services	37,559,316
Payments to Suppliers	-580,121,554
Payments to Employees	-702,652,821
Payments for Scholarships and Fellowships	-14,076,074
Loans Issued to Students and Employees	-3,312,600
Collection of Loans to Students and Employees	3,412,775
Auxiliary Enterprise Charges:	
Residence Halls	71,334,191
Bookstore	1,974,021
Food Services	3,033,570
Parking/Transportation	16,257,346
Health Services	8,948,367
Other Organizations	2,421,201
Other Receipts	2,507,745
Net Cash Used by Operating Activities	-99,058,833
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	227,216,008
Agency Funds Transactions	674,797
Gifts and Grants Received for Other than Capital Purposes	16,035,587
Negative Cash Balance Implicitly Financed	-1,089,833
Net Cash Flows Provided by Noncapital Financing Activities	242,836,559
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	9,243,375
Proceeds from Sale of Capital Assets	16,770,695
Purchases of Capital Assets	-146,118,110
Principal Paid on Capital Debt and Leases	-18,735,987
Interest Paid on Capital Debt and Leases	-25,800,899
Net Cash Used by Capital and Related Financing Activities	-164,640,926
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	15,307,599
Net Decrease in Cash	-5,555,601
Cash and Cash Equivalents - Beginning of Year	231,342,213
Cash and Cash Equivalents - End of Year	$ 225,786,612

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	-205,945,192
Adjustments to Reconcile Operating loss to Net Cash		
Used by Operating Activities		
Depreciation/Amortization		88,326,035
Operating Expenses Related to Noncash Gifts		30,117,793
Change in Assets and Liabilities:		
Receivables, Net		-4,599,191
Inventories		-488,905
Other Assets		
Prepaid Items		-437,593
Notes Receivable, Net		100,174
Accounts Payable		-2,246,011
Salaries Payable		113,898
Advances (Including Tuition and Fees)		-2,634,081
Other Liabilities		-2,015,663
Compensated Absences		1,898,011
Net Pension Liability		-96,757,083
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		105,674,412
Deferred Outflows of Resources		-10,165,437
Net Cash Used by Operating Activities	$	-99,058,833

NONCASH ACTIVITY		
Fixed Assets Acquired by Incurring Capital Lease Obligations	$	5,970,030
Change in Fair Value of Investments Recognized as a Component of Interest Income	$	-156,406
Gifts Other than Capital Assets Reducing Proceeds of Grants and Gifts for Other Than Capital Purposes	$	-30,117,793
Gift Reducing Proceeds of Gifts and Grants Received for Other Than Capital Purposes	$	-65,856
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$	-59,288,598

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

Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

Georgia Institute of Technology is one of thirty (30) 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. The Institute 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 Affiliated 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 19 for additional information.

Financial Statement Presentation

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

Basis of Accounting

For financial reporting purposes, the Institute is considered a special-purpose government agency 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. 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.

New Accounting Pronouncements

In fiscal year 2015, the Institute adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Institute's financial statements.

In fiscal year 2015, the Institute adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The adoption of this statement does not have a significant impact on the Institute's financial statements.

In fiscal year 2015, the Institute adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred outflows of resources and deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. Adoption of this statement in conjunction with GASB 68 had significant impact on the Institution's financial statements.

Cash and Cash Equivalents

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

Short-Term Investments

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

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments.

The Institute accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

The Board of Regents Diversified Fund and the Georgia Extended Asset Pool are included under Investments for the Institute.

Accounts Receivable

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

Inventories

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

Prepaid Items

Prepaid Items reflect payments of costs applicable to future accounting periods.

Noncurrent Cash and Investments

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

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 a useful life that meets or exceeds 5 years. Renovations to buildings, infrastructure and facilities and other improvements are capitalized as betterments when the expenditure for the renovation meets or exceeds the capitalization threshold of $100,000. The Institute uses the parent/child methodology to track the costs of nonresearch buildings. In this instance, the original asset is considered the "parent" and any improvements that meet the capitalization criteria above are considered "children". The child asset normally takes on the remaining useful life of the parent asset unless it is determined the child asset increases the useful life of the structure by 25 percent of the original life. If the child asset increases the useful life, the net book value of the original building asset is recapitalized along with eligible improvements as a new asset and the original building asset is retired. 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, 25 to 75 years for infrastructure, 20 to 50 years for facilities and other improvements, 10 years for library books and 5 to 10 years for equipment. Nonresearch buildings are generally depreciated over 40 to 50 years as indicated above. Research buildings are depreciated by building component such as elevators, general structure, heating, ventilating, and air conditioning, roof, etc. The useful life of these components is generally between 20 and 50 years. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

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 Georgia State Financing and Investment Commission. The bonds issued constitute direct and general obligations of the State of Georgia, the payment of which the full faith, credit and taxing power of the State are pledged.

Capital Liability Reserve Fund
In fiscal year 2014, the Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the University System of Georgia (USG) to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. The Fund is financed by all USG institutions participating in the PPV program. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated cooperative organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to the Institute. The Institute's contribution to the fund as of June 30, 2015 was $2,275,907.

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

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

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

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

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

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

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

Net Position

The Institute's net position is classified as follows:

Net Investment in Capital Assets: This represents the Institute's total investment in capital assets, net of 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 the net investment in capital assets.

The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - nonexpendable: includes endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. 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 - expendable and expendable Capital Projects: are restricted resources available for expenditure, but these restricted resources 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.

Unrestricted: Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of Investment in Capital Assets. Included in the net deficit reported is the Institute's Net Pension liability of $275,455,423 million which is required for financial reporting and will not affect the economics of the plan or affect budgets or cash flows.

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.

Classification of Revenues and Expenses

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

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

Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenue 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, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* such as state appropriations and investment income.

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

Nonoperating expense includes activities that have the characteristics of nonexchange transactions, such as capital financing costs and costs related to investment activity.

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 Position. 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 Note Disclosure

For fiscal year 2015, the Institute made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which require the restatement of the June 30, 2014, net position. The result is a decrease to Net Position at July 1, 2014 of $344,876,656. 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, 2015, the carrying value of deposits was $17,352,827 and the bank balance was $25,928,677. Of the Institute's deposits, $25,767,706 remained uninsured and all of these uninsured deposits were collateralized with securities held by the financial institution's trust department or agent in the Institute's name. There were no uninsured deposits collateralized with securities held by the financial institution, by its trust department or agency, not in the Institute's name and there were no uncollateralized deposits.

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, 2015 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

		Investment Maturity			
Investment Type	Fair Value	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Debt Securities					
U. S. Treasuries	$ 3,592,781		$ 1,937,811	$ 1,654,970	
U. S. Agencies					
Explicitly Guaranteed	2,820				$ 2,820
Implicitly Guaranteed	2,766,813	$ 251,284	1,727,799	372,377	415,353
Corporate Debt	103,864	11,661	37,606	54,597	
	6,466,278	$ 262,945	$ 3,703,216	$ 2,081,944	$ 418,173
Other Investments					
Equity Mutual Funds	161,325				
Bond/Equity Mutual Funds - International	115,123				
Equity Mutual Funds - Domestic	5,824,765				
Equity Mutual Funds - International	2,027,866				
Equity Securities - Domestic	577,823				
Equity Securities - International	41,001				
Real Estate Held for Investment Purposes	436,350				
Real Estate Investment Trusts	823,564				
Investment Pools					
Board of Regents					
Short-Term Fund	117,146,610				
Diversified Fund	55,811,655				
Office of the State Treasurer					
Georgia Fund 1	91,259,675				
Georgia Extended Asset Pool	154,739				
Total Investments	$ 280,846,774				

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

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, $1.00 per share. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 56 days.

The Georgia Extended Asset Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which was $1.99 at June 30, 2015. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 0.31 years.

Interest Rate Risk

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

The Effective Duration of the Short-Term Fund is 0.33 years. Of the Institute's total investment of $117,146,610 in the Short-Term Fund, $117,146,610 is invested in debt securities.

The Effective Duration of the Diversified Fund is 4.79 years. Of the Institute's total investment of $55,811,655 in the Diversified Fund, $18,820,004 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. These policies can be obtained from our website at http://www.bursar.gatech.edu/content/treasury-policies-procedures.

At June 30, 2015, $13,772,465 of the Institute's applicable investments were uninsured and held by the investment's counterparty in the Institute's name and $2,148,632 were uninsured and held by the investment's counterparty's trust department or agent, but not in the Institute's name.

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

Credit Quality Risk	Fair Value	AAA	AA	A	BBB
Related Debt Investments					
U. S. Agency Securities	$ 2,769,633	$ 165,994	$ 2,603,639		
Corporate Debt	103,865		34,853	$ 50,592	$ 18,420
	$ 2,873,498	$ 165,994	$ 2,638,492	$ 50,592	$ 18,420

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Institute's policy for managing concentration credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which 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, 2015:

Student Tuition and Fees	$	5,098,312
Auxiliary Enterprises and Other Operating Activities		2,382,956
Federal Financial Assistance		64,162,489
Georgia State Financing and Investment Commission		378,027
Due from Affiliated Organizations		10,317,251
Other		31,129,679
		113,468,714
Less Allowance for Doubtful Accounts		2,314,132
Net Accounts Receivable	$	111,154,582

Note 4. Inventories

Inventories consisted of the following at June 30, 2015:

Physical Plant	$	329,874
Other		502,015
Total Inventories	$	831,889

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2015. The Program provides for cancellation of 10% to 30% of loans receivable 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, 2015, the allowance for uncollectible loans was approximately $522,887.

Note 6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2015:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015
Capital Assets, Not Being Depreciated/Amortized:				
Land	$ 55,768,543			$ 55,768,543
Capitalized Collections	19,075,036	$ 5,000		19,080,036
Construction Work-In-Progress	71,171,790	34,552,928	$ 49,795,533	55,929,185
Total Capital Assets, Not Being Depreciated/Amortized	146,015,369	34,557,928	49,795,533	130,777,764
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	129,267,327	11,030,888		140,298,215
Building and Building Improvements	1,730,206,280	140,412,670	2,367,365	1,868,251,585
Facilities and Other Improvements	46,538,512	12,328,613		58,867,125
Equipment	487,154,540	45,509,087	14,322,507	518,341,120
Library Collections	122,891,811	5,958,140	2,351,842	126,498,109
Software	1,530,895			1,530,895
Total Assets Being Depreciated/Amortized	2,517,589,365	215,239,398	19,041,714	2,713,787,049
Less: Accumulated Depreciation/Amortization:				
Infrastructure	32,246,690	3,429,545		35,676,235
Building and Building Improvements	472,452,178	40,668,031	586,208	512,534,001
Facilities and Other Improvements	12,585,112	2,098,563		14,683,675
Equipment	326,926,167	37,047,831	9,537,473	354,436,525
Library Collections	91,959,993	4,928,975	2,351,842	94,537,126
Software	1,301,263	153,090		1,454,353
Total Accumulated Depreciation/Amortization	937,471,403	88,326,035	12,475,523	1,013,321,915
Total Capital Assets, Being Depreciated/ Amortized, Net	1,580,117,962	126,913,363	6,566,191	1,700,465,134
Capital Assets, Net	$ 1,726,133,331	$ 161,471,291	$ 56,361,724	$ 1,831,242,898

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the Institute when complete. For projects managed by the Institute, the Institute retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2015, GSFIC transferred capital asset additions valued at $93,059,262 to the Georgia Institute of Technology, which included $59,288,598 of GSFIC managed funds, $31,752,785 of institutional contributions and $2,017,879 of allotments on a reimbursement basis. In addition, at June 30, 2015, GSFIC had construction-in-progress of approximately $1,131,846 for incomplete projects for the Institute.

Note 7. Advances (Including Tuition and Fees)

Advances (Including Tuitions and Fees) consisted of the following at June 30, 2015:

Prepaid Tuition and Fees	$	21,172,232
Research		811,466
Other - Advances		1,226,783
Total Advances	$	23,210,481

Note 8. Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance July 1, 2014 (Restated)	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
Leases					
Lease Obligations	$ 477,788,354	$ 5,970,030	$ 18,735,988	$ 465,022,396	$ 16,328,967
Other Liabilities					
Compensated Absences	41,918,863	34,139,985	32,241,974	43,816,874	27,756,639
Net Pension Liability	372,212,506		96,757,083	275,455,423	
Total	414,131,369	34,139,985	128,999,057	319,272,297	27,756,639
Total Long-Term Obligations	$ 891,919,723	$ 40,110,015	$ 147,735,045	$ 784,294,693	$ 44,085,606

Note 9. Service Concession Arrangements

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

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

At June 30, 2015, the Institute had no service concession arrangements that met the materiality threshold for distinct financial reporting.

Note 10. Net Position

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

The amounts within each category at June 30, 2015 were as follows:

		June 30, 2015
Net Investments in Capital Assets	$	1,356,511,659
Restricted for		
Nonexpendable		
Permanent Endowment		63,034,726
Expendable		
Restricted E&G and Other Org Activities		1,838,396
Federal Loans		7,317,337
Institutional Loans		7,429,774
Quasi-Endowments		7,624,136
Capital Projects		5,782,520
Total Expendable		29,992,163
Unrestricted		
Auxiliary Operations		47,212,634
R & R Reserve		25,815,048
Reserve for Encumbrances		56,191,233
Reserve for Inventory		831,889
Other Unrestricted		-292,520,571
USO Reserve Fund		2,275,907
Total Unrestricted		-160,193,860
TOTAL NET POSITION	$	1,289,344,688

Note 11. Endowments

Donor Restricted Endowments:

Investments of the Institute's endowment funds are pooled, unless required to be separately invested by the donor. For Institute controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits the Institute to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was $1,541,039 and is reflected as restricted net position.

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

Note 12. Significant Commitments

The Institute had significant unearned, outstanding, construction or renovation contracts executed in the amount of $22,337,347 as of June 30, 2015. This amount is not reflected in the accompanying basic financial statements.

Note 13. Lease Obligations

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

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2015 and 2042. Cash payments for fiscal year 2015 were $44,536,887 of which $25,800,899 represented interest. Total reduction to capital leases was $18,735,988 for the fiscal year ended June 30, 2015. Interest rates range from 1.9 percent to 6.7 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2015:

Description	Gross Amount	Accumulated Depreciation	Net Capital Assets Held Under Capital Lease at June 30, 2015	Outstanding Balances per Lease Schedules at June 30, 2015
	(+)	(-)	(=)	
Land - (PPV)	$ 11,457,418		$ 11,457,418	$ 8,274,583
Infrastructure - (PPV)	39,705,000	$ 10,720,350	28,984,650	36,047,284
Equipment	6,341,338	464,928	5,876,410	5,885,998
Buildings - (PPV Only)	521,358,668	111,743,718	409,614,950	414,246,361
Facilities and Improvements - (PPV)	679,713	484,709	195,004	568,170
Total Assets Held Under Capital Lease at June 30, 2015	$ 579,542,137	$ 123,413,705	$ 456,128,432	$ 465,022,396

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 fifteen capital leases with related parties in fiscal year 2015, including five capital leases for the Technology Square Complex. These related party leases are with the Georgia Tech Research Corporation (GTRC), Georgia Tech Facilities, Inc. (GTFI), and the Georgia Tech Foundation (GTF). The Institute also had one real property capital lease with an unrelated party, The University Financing Foundation (TUFF) and an equipment lease with SunTrust Equipment Finance and Leasing Corporation.

The following capital lease schedule lists the pertinent information for each lease including the description, lessor, original principal amount, lease term, lease begin date, lease end date and outstanding principal balance at June 30, 2015.

CAPITAL LEASE SCHEDULE

Description	Lessor	Original Principal	Lease Term	Begin	End	Outstanding Principal Balance at 6/30/15
Institute for Bloeng & Biosci	GTRC	$ 21,560,000	30 yrs	11/97	08/27	$ 13,625,000
Campus Recreation Center/Pkg	GTF	44,980,000	30 yrs	02/01	04/31	33,220,000
Technology Square Rsch Bldg	TUFF	76,150,584	29 yrs	12/02	12/31	71,209,564
Technology Square Complex	GTF	142,298,200	29 yrs	08/03	04/32	102,768,201
Married Family Housing	GTFI	61,863,392	25 yrs	10/05	04/30	44,720,977
Molecular Sciences & Eng	GTFI	75,205,000	35 yrs	09/06	06/41	63,955,734
Klaus Advanced Computing Pkg	GTFI	9,835,000	20 yrs	10/05	04/25	6,300,000
Electrical Sub Station	GTFI	39,705,000	33 yrs	10/07	12/39	36,047,284
North Ave Apts (Pkg/Dining)	GTFI	82,705,494	25 yrs	07/11	06/36	69,740,191
Academy of Medicine	GTFI	5,000,000	19 yrs	02/12	08/30	4,414,066
Carbon Neutral Energy Solutions	GTFI	13,815,000	31 yrs	10/11	04/42	13,135,381
Hitachi Microscope	Suntrust	739,308	4 yrs	10/12	10/16	283,968
Bruker NMR Equipment	GTRC	5,602,030	10 yrs	06/15	04/25	5,602,030
Total Leases		$ 579,459,008				$ 465,022,396

Operating Leases

Georgia Institute of Technology is the lessee under a number of one-year operating leases, which generally provide for renewal option periods. Lease renewals are at the fair rental value at the time of renewal. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Properties are leased for specific Institute activities, mostly for office space.

Description of Related Party Leases

Georgia Institute of Technology entered into various real property operating leases with related parties including Georgia Tech Research Corporation (GTRC), Georgia Tech Foundation (GTF), and Georgia Advanced Technology Ventures (GATV), Inc. and its subsidiaries. The current agreements are for July 1, 2015 through June 30, 2016 with most of the agreements containing a renewal option. Under these agreements, the Institute is obligated to pay these related parties a total of $12,872,798 in the next fiscal year.

Future Commitments

Future commitments for capital leases (which here and on the Statement of Net Position include other installment purchase agreements) and noncancellable operating leases having remaining terms in excess of one year as of June 30, 2015, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2016	$ 41,511,556	$ 16,223,011
2017	41,750,943	20,017,031
2018	41,827,602	19,863,902
2019	41,997,489	19,754,405
2020	42,176,005	18,305,140
2021 - 2025	208,594,734	77,485,386
2026 - 2030	199,709,295	35,891,634
2031 - 2035	90,657,134	14,482,251
2036 - 2040	43,083,000	2,729,988
2041 - 2045	6,596,500	
Total Minimum Lease Payments	757,904,258	$ 224,752,748
Less: Interest	292,881,862	
Principal Outstanding	$ 465,022,396	

Georgia Institute of Technology's fiscal year 2015 expense for rental of real property and equipment under operating leases was $14,292,338, which includes payments to related parties of $11,276,011.

Note 14. Retirement Plans

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

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

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

General Information about the Teachers' Retirement System

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2015. The Institute's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual Institute payroll. Institute contributions to TRS totaled $31,122,618 for the reporting period (fiscal year ended June 30, 2015) and $27,139,593 for the measurement period (fiscal year ended June 30, 2014). Contributions are expected to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability.

General Information about the Employees' Retirement System

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

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Institute's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2015 was 21.96% of annual covered payroll for old and new plan members and 18.87% for GSEPS members. The Institute's contributions to ERS totaled $265,180 for the reporting period (fiscal year ended June 30, 2015) and $196,257 for the measurement period (fiscal year ended June 30, 2014). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2015, the Institute reported a liability for its proportionate share of the net pension liability for TRS and ERS totaling $275,455,423. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The Institute's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2014. At June 30, 2014, the Institute's TRS proportion was 2.166%, which was an increase of 0.042% from its proportion measured as of June 30, 2013. At June 30, 2014, the Institute's ERS proportion was 0.047%, which was an increase of 0.004% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Institute recognized pension expense of $20,119,091 for TRS and $190,640 for ERS. At June 30, 2015, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		$ 95,412,242		$ 432,211
Changes in proportion and differences between Institute contributions and proportionate share of contributions	$ 5,981,497		$ 131,992	
University contributions subsequent to the measurement date	31,122,618		265,180	
Total	$ 37,104,115	$ 95,412,242	$ 397,172	$ 432,211

Institute contributions subsequent to the measurement date of $31,122,618 for TRS and $265,180 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2016	$ -22,493,624	$ -25,558
2017	$ -22,493,624	$ -58,556
2018	$ -22,493,624	$ -108,053
2019	$ -22,493,646	$ -108,052
2020	$ 543,773	$ 0
Thereafter	$ 0	$ 0

Actuarial assumptions: The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 - June 30, 2009.

Employees' Retirement System:

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 - June 30, 2009.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Fixed Income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
	100.00%	

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

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

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

Teachers' Retirement System:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Institute's proportionate share of the net pension liability	$ 504,363,939	$ 273,684,569	$ 83,724,897

Employees' Retirement System:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Institute's proportionate share of the net pension liability	$ 2,582,257	$ 1,770,854	$ 1,080,162

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

Regents Retirement Plan

Plan Description

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

Funding Policy

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 2015, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and nonforfeitable at all times.

Georgia Institute of Technology and the covered employees made the required contributions of $30,614,128 (9.24%) and $19,885,263 (6%), respectively.

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

Note 15. Risk Management

The University System of Georgia offers its employees and retirees access to four different healthcare plan options. For the University System of Georgia's Plan Year 2015, the following healthcare plan options were available:

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

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

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

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.

Georgia Institute of Technology is responsible for pollution monitoring and remediation in all Institute facilities, including asbestos abatement. Monitoring and remediation activities are performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2015, the Institute recorded an expense and a liability in the amount of $210,333 for pollution monitoring and remediation projects in various Institute structures. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Net Position in Supplies and Other Services. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability.

Note 16. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although 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 for the fiscal year ended June 30, 2015.

Note 17. Post-Employment Benefits Other Than Pension Benefits

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

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

As of June 30, 2015, there were 1,574 employees who had retired or were disabled who were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2015, Georgia Institute of Technology recognized as incurred $8,771,489 of expenditures, which was net of $3,530,196 of participant contributions.

Note 18. Natural Classifications with Functional Classifications

The Institute's operating expenses by functional classification for fiscal year 2015 are shown below:

	Functional Classification				
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services
Salaries					
Faculty	$ 116,323,857	$ 232,101,811	$ 9,383,041	$ 7,215,820	$ 855,984
Staff	63,757,643	117,934,231	21,271,564	19,781,581	13,548,717
Employee Benefits	41,890,533	72,861,628	7,479,509	7,134,594	3,252,836
Other Personal Services	71,980	46,587	610,369	18,994	29,083
Travel	5,341,638	18,556,144	1,061,085	736,822	472,592
Scholarships and Fellowships					
Utilities	353,836	1,538,739	233,440	35,288	63,164
Supplies and Other Services	55,116,091	168,528,602	11,341,227	8,551,335	12,446,489
Depreciation/Amortization	10,172,168	38,745,104	500,243	7,470,920	2,043,014
Total Operating Expenses	$ 293,027,746	$ 650,312,846	$ 51,880,478	$ 50,945,354	$ 32,711,879

	Functional Classification				
Natural Classification	Institutional Support	Plant Operations and Maintenance	Scholarships and Fellowships	Auxiliary Enterprises	Total Operating Expenses
Salaries					
Faculty	$ 3,021,957	$ 545,607		$ 56,992	$ 369,505,069
Staff	48,575,316	28,969,696		21,320,913	335,159,661
Employee Benefits	5,983,509	8,259,680		5,977,444	152,839,733
Other Personal Services	13,738	542		3,275	794,568
Travel	940,081	115,928		193,383	27,417,673
Scholarships and Fellowships			$ 14,076,074		14,076,074
Utilities	79,548	24,044,253		11,279,570	37,627,838
Supplies and Other Services	17,113,404	79,638,121		32,387,984	385,123,253
Depreciation/Amortization	12,535,160	5,938,535		10,920,891	88,326,035
Total Operating Expenses	$ 88,262,713	$ 147,512,362	$ 14,076,074	$ 82,140,452	$ 1,410,869,904

Note 19. Affiliated Organizations

Georgia Tech Foundation, Inc. (GTF), Georgia Advanced Technology Ventures, Inc. (GATV), Georgia Tech Facilities, Inc. (GTFI), Georgia Tech Athletic Association (GTAA), Georgia Tech Alumni Association and Georgia Tech Research Corporation (GTRC) are legally separate tax-exempt organizations whose activities primarily support Georgia Institute of Technology, a unit of the University System of Georgia. Because the University System of Georgia is an organizational unit of the State of Georgia these affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statements 61, 39 and 14. Therefore, the financial statements of these affiliated organizations are not included in these financial statements. Copies of the financial statements may be obtained from the Georgia Institute of Technology.

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, 2015, and as such, are reported as component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR).

Note 20. Related Party Transactions

Through the normal course of operations, Georgia Tech both receives funds and/or assets from and provides funds and/or assets to affiliated organizations in support of sponsored research projects, capital outlay projects, scholarships and other supporting activities of the Institute. Funds and/or assets received and provided during the fiscal year related to these activities (excluding capital outlay activities in Note 13) were $92,848,526 and $93,310,561, respectively. Related balances reported as accounts receivable and accounts payable were $10,317,251 and $88,253 respectively.

Note 21. Subsequent Events

On May 19, 2015 the Board of Regents of the University System of Georgia (BOR) approved a lease agreement for the High Performance Computing (HPC) Facility. In this agreement, the Institute proposes to lease approximately 340,000 rentable square feet as anchor tenant in a new real estate development project to be located in Technology Square. The mixed-use office, computing center and retail complex will be programmed around a High Performance Computing (HPC) innovation ecosystem that integrates the existing assets of Technology Square with new opportunities in interdisciplinary research, commercialization and sustainability. The building will house Institute administrative and research computing operations. To facilitate development, the Institute will enter into a long-term lease for about 50% of the space with a private developer who, subject to Institute approval, will design, construct, finance and own the project, and lease the remaining building space to commercial companies meeting specific criteria as outlined in the project proposal. The lease will be for a fifteen year term and is expected to qualify as an operating lease. The lease agreement is expected to be signed in early 2016, with rental payments expected to begin in the third calendar quarter of 2018. The Institute will pay an estimated total rent of $187,815,394 over a fifteen year period, with the first year's annual rental payment estimated to be $10,407,108. The Georgia Tech Foundation (The "Foundation") intends to enter into a ground lease with the site developer with terms to be negotiated by the Foundation.

On March 5, 2014 the Institute entered into a Memorandum of Understanding (MOU) with Emory University ("Emory") to develop, own and operate a shared library facility ("The Facility") to house certain library collections of each institution. To accomplish this goal EmTech, Inc. ("EmTech") a not-for-profit corporation whose six-member board is appointed by the Presidents of Emory and the Institute, will construct, finance and manage The Facility in support of Emory and the Institute. The land on which The Facility will be constructed is owned by Emory and will be ground leased to EmTech. On May 20, 2014 the Georgia Board of Regents approved a proposed rental agreement for the period of December 1, 2015 through June 30, 2016 with options to renew on a year-to-year basis for 29 consecutive one-year periods, and then one option to renew for a five month period. The rental agreement was signed September 1, 2014 between EmTech as lessor and The Institute as tenant of The Facility. Emory also executed a similar lease with EmTech. The Institute will pay an estimated total rent of $31,599,199 over a thirty year period, with the first year's annual rental payment estimated to be $1,020,216.

On May 19, 2015 the Board of Regents of the University System of Georgia passed a resolution authorizing the Institute to enter into a General Energy Savings Performance Contract with Johnson Controls Inc. as the energy service pursuant to O.C.G.A. Section 50-37-1 et.seq. The resolution further provided that the parties could enter into an installment purchase agreement for the provision of energy and water saving capital improvement for the use of the Institute for an amount not to exceed $7,761,925. The project entails installing energy optimization and water savings improvements at several Institute water plants and cooling towers. Utility cost savings from this project would yield a simple pay-back of 4.72 years. The performance contract between Georgia Tech and Johnson Controls, Inc. was signed on August 31, 2015 and the installment purchase agreement between these two entities was signed on September 11, 2015. The Institute will pay total installments of $8,543,702 over a seven year period with $7,761,925 representing principal and $781,777 representing interest. The first quarterly installment payment of $305,132 (principal and interest) is due on January 31, 2017.

.

(This page left intentionally blank)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE "1"

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2015

		2015
Institute's proportion of the net pension liability		2.166%
Institute's proportionate share of the net pension liability	$	273,684,569
Institute's covered-employee payroll	$	221,162,197
Institute's proportionate share of the net pension liability as a percentage of its covered employee payroll		123.75%
Plan fiduciary net position as a percentage of the total pension liability		84.03%

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

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "2"

		2015
Institute's proportion of the net pension liability		0.047%
Institute's proportionate share of the net pension liability	$	1,770,854.00
Institute's covered-employee payroll	$	1,094,942.00
Institute's proportionate share of the net pension liability as a percentage of its covered employee payroll		161.73%
Plan fiduciary net position as a percentage of the total pension liability		77.99%

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

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

	2015	2014	2013	2012
Contractually required contribution	$ 31,122,618.00	$ 27,139,593.00	$ 24,374,980.00	$ 21,634,408.00
Contributions in relation to the contractually required contribution	$ 31,122,618.00	$ 27,139,593.00	$ 24,374,980.00	$ 21,634,408.00
Contribution deficiency (excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Institute's covered-employee payroll	$ 236,515,744.00	$ 221,162,197.00	$ 213,368,556.00	$ 210,451,440.00
Contributions as a percentage of covered-employee payroll	13.16%	12.27%	11.42%	10.28%

2011	2010	2009	2008	2007	2006
$ 21,318,703.00	$ 20,356,273.00	$ 19,485,389.00	$ 18,963,675.00	$ 18,025,456.00	$ 17,233,661.00
$ 21,318,703.00	$ 20,356,273.00	$ 19,485,389.00	$ 18,963,675.00	$ 18,025,456.00	$ 17,233,661.00
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ 207,380,380.00	$ 208,996,643.00	$ 209,971,864.00	$ 204,349,946.00	$ 194,239,828.00	$ 186,511,483.00
10.28%	9.74%	9.28%	9.28%	9.28%	9.24%

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

	2015	2014	2013	2012
Contractually required contribution	$ 265,180.00	$ 196,257.00	$ 153,729.00	$ 105,626.00
Contributions in relation to the contractually required contribution	$ 265,180.00	$ 196,257.00	$ 153,729.00	$ 105,626.00
Contribution deficiency (excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Institute's covered-employee payroll	$ 1,206,149.00	$ 1,094,942.00	$ 1,038,464.00	$ 900,481.00
Contributions as a percentage of covered-employee payroll	21.99%	17.92%	14.80%	11.73%

2011	2010	2009	2008	2007	2006
$ 76,280.00	$ 62,649.00	$ 59,534.00	$ 59,300.00	$ 57,305.00	$ 43,713.00
$ 76,280.00	$ 62,649.00	$ 59,534.00	$ 59,300.00	$ 57,305.00	$ 43,713.00
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ 732,757.00	$ 601,816.00	$ 568,957.00	$ 567,198.00	$ 548,801.00	$ 419,914.00
10.41%	10.41%	10.46%	10.45%	10.44%	10.41%

(This page left intentionally blank)

__Teachers Retirement System__

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

Method and assumptions used in calculations of actuarially determined contributions **:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

__Employees' Retirement System__

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

Method and assumptions used in calculations of actuarially determined contributions **:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	2.725% – 4.625% for FY 2012-2013, 5.45% - 9.25% for FY2014+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

(This page left intentionally blank)

SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2015

SCHEDULE "6"

ASSETS		
Cash and Cash Equivalents	$	70,876,806.82
Investments		154,702.34
Accounts Receivable		
Federal Financial Assistance		62,842,576.60
Other		37,188,763.05
Prepaid Expenditures		6,715,479.97
Inventories		329,873.94
Total Assets	$	178,108,202.72
LIABILITIES AND FUND EQUITY		
Liabilities		
Encumbrances Payable	$	40,688,642.64
Accounts Payable		67,766,543.71
Advances (Including Tuition and Fees)		29,380,634.18
Funds Held for Others		25,098.69
Other Liabilities		99,792.14
Total Liabilities		137,960,711.36
Fund Balances		
Reserved		
Department Sales and Services		8,930,725.47
Indirect Cost Recoveries		28,014,957.16
Technology Fees		266,237.00
Restricted/Sponsored Funds		112,466.01
Uncollectible Accounts Receivable		1,461,291.36
Tuition Carry-Over		553,427.25
Inventories		337,469.49
Unreserved		
Surplus		470,917.62
Total Fund Balances		40,147,491.36
Total Liabilities and Fund Balances	$	178,108,202.72

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

SCHEDULE "7"

GEORGIA INSTITUTE OF TECHNOLOGY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation			
State General Funds	$ 227,255,678.00	$ 227,255,678.00	$ 0.00
Other Funds	1,279,535,545.00	1,206,542,584.17	-72,992,960.83
Total Revenues	1,506,791,223.00	1,433,798,262.17	-72,992,960.83
ADJUSTMENTS AND PROGRAM TRANSFERS	0.00	946,832.72	946,832.72
CARRY-OVER FROM PRIOR YEARS			
Transfers from Reserved Fund Balance	0.00	33,373,326.85	33,373,326.85
Total Funds Available	1,506,791,223.00	1,468,118,421.74	-38,672,801.26
EXPENDITURES			
Enterprise Innovation Institute (EII)	18,574,703.00	18,155,283.43	419,419.57
Georgia Tech Research Institute (GTRI)	362,600,492.00	353,256,897.47	9,343,594.53
Teaching	1,125,616,028.00	1,058,836,141.22	66,779,886.78
Total Expenditures	1,506,791,223.00	1,430,248,322.12	76,542,900.88
Excess of Funds Available over Expenditures	$ 0.00	37,870,099.62	$ 37,870,099.62
FUND BALANCE JULY 1			
Reserved		35,179,801.05	
Unreserved		39,669.95	
ADJUSTMENTS			
Prior Year Payables/Expenditures		485,921.44	
Prior Year Receivables/Revenues		-15,003.90	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2014		-39,669.95	
Prior Year Reserved Fund Balance Included in Funds Available		-33,373,326.85	
FUND BALANCE JUNE 30		$ 40,147,491.36	

SUMMARY OF FUND BALANCE	
Reserved	
Department Sales and Services	$ 8,930,725.47
Indirect Cost Recoveries	28,014,957.16
Technology Fees	266,237.00
Restricted/Sponsored Funds	112,466.01
Uncollectible Accounts Receivable	1,461,291.36
Tuition Carry-Over	553,427.25
Inventories	337,469.49
Total Reserved	39,676,573.74
Unreserved	
Surplus	470,917.62
Total Fund Balance	$ 40,147,491.36

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2015

	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues
Enterprise Innovation Institute (EII)				
State Appropriation				
State General Funds	$ 7,274,703.00	$ 7,274,703.00	$ 7,274,703.00	$ 7,274,703.00
Other Funds	10,475,000.00	10,475,000.00	11,300,000.00	10,883,502.49
Total Enterprise Innovation Institute (EII)	17,749,703.00	17,749,703.00	18,574,703.00	18,158,205.49
Georgia Tech Research Institute (GTRI)				
State Appropriation				
State General Funds	5,629,947.00	5,629,947.00	5,629,947.00	5,629,947.00
Other Funds	314,011,962.00	314,011,962.00	356,970,545.00	348,646,912.96
Total Georgia Tech Research Institute (GTRI)	319,641,909.00	319,641,909.00	362,600,492.00	354,276,859.96
Teaching				
State Appropriation				
State General Funds	214,351,028.00	214,351,028.00	214,351,028.00	214,351,028.00
Other Funds	832,520,000.00	832,520,000.00	911,265,000.00	847,012,168.72
Total Teaching	1,046,871,028.00	1,046,871,028.00	1,125,616,028.00	1,061,363,196.72
Total Operating Activity	$ 1,384,262,640.00	$ 1,384,262,640.00	$ 1,506,791,223.00	$ 1,433,798,262.17

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

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Negative	Actual	Variance Positive	Over Expenditures
$ 0.00	$ 0.00	$ 7,274,703.00	$ 0.00	$ 7,274,702.92	$ 0.08	$ 0.08
0.00	0.00	10,883,502.49	-416,497.51	10,880,580.51	419,419.49	2,921.98
0.00	0.00	18,158,205.49	-416,497.51	18,155,283.43	419,419.57	2,922.06
0.00	0.00	5,629,947.00	0.00	5,629,947.00	0.00	0.00
282,776.30	0.00	348,929,689.26	-8,040,855.74	347,626,950.47	9,343,594.53	1,302,738.79
282,776.30	0.00	354,559,636.26	-8,040,855.74	353,256,897.47	9,343,594.53	1,302,738.79
0.00	0.00	214,351,028.00	0.00	214,351,028.00	0.00	0.00
33,090,550.55	946,832.72	881,049,551.99	-30,215,448.01	844,485,113.22	66,779,886.78	36,564,438.77
33,090,550.55	946,832.72	1,095,400,579.99	-30,215,448.01	1,058,836,141.22	66,779,886.78	36,564,438.77
$ 33,373,326.85	$ 946,832.72	$ 1,468,118,421.74	$ -38,672,801.26	$ 1,430,248,322.12	$ 76,542,900.88	$ 37,870,099.62

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2015

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2014 Surplus	Prior Period Adjustments
Enterprise Innovation Institute (EII)				
State Appropriation				
State General Funds	$ 0.12	$ 0.00	$ -0.12	$ 6,914.47
Other Funds	0.06	0.00	-0.06	0.00
Total Enterprise Innovation Institute (EII)	0.18	0.00	-0.18	6,914.47
Georgia Tech Research Institute (GTRI)				
State Appropriation				
State General Funds	1,222.70	0.00	-1,222.70	6,213.33
Other Funds	282,776.30	-282,776.30	0.00	0.00
Total Georgia Tech Research Institute (GTRI)	283,999.00	-282,776.30	-1,222.70	6,213.33
Teaching				
State Appropriation				
State General Funds	153,613.96	0.00	-153,613.96	376,446.04
Other Funds	32,975,383.66	-33,090,550.55	115,166.89	81,343.70
Total Teaching	33,128,997.62	-33,090,550.55	-38,447.07	457,789.74
Total Operating Activity	33,412,996.80	-33,373,326.85	-39,669.95	470,917.54
Prior Year Reserves				
Not Available for Expenditure				
Inventories	283,390.52	0.00	0.00	0.00
Uncollectible Accounts Receivable	1,523,083.68	0.00	0.00	0.00
Budget Unit Totals	$ 35,219,471.00	$ -33,373,326.85	$ -39,669.95	$ 470,917.54

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

Other Adjustments	Early Return Fiscal Year 2015 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance Reserved	Surplus	Total
$ 0.00	$ 0.00	$ 0.08	$ 6,914.55	$ 0.00	$ 6,914.55	$ 6,914.55
0.00	0.00	2,921.98	2,921.98	2,921.98	0.00	2,921.98
0.00	0.00	2,922.06	9,836.53	2,921.98	6,914.55	9,836.53
0.00	0.00	0.00	6,213.33	0.00	6,213.33	6,213.33
0.00	0.00	1,302,738.79	1,302,738.79	1,302,738.79	0.00	1,302,738.79
0.00	0.00	1,302,738.79	1,308,952.12	1,302,738.79	6,213.33	1,308,952.12
0.00	0.00	0.00	376,446.04	0.00	376,446.04	376,446.04
7,713.35	0.00	36,564,438.77	36,653,495.82	36,572,152.12	81,343.70	36,653,495.82
7,713.35	0.00	36,564,438.77	37,029,941.86	36,572,152.12	457,789.74	37,029,941.86
7,713.35	0.00	37,870,099.62	38,348,730.51	37,877,812.89	470,917.62	38,348,730.51
54,078.97	0.00	0.00	337,469.49	337,469.49	0.00	337,469.49
-61,792.32	0.00	0.00	1,461,291.36	1,461,291.36	0.00	1,461,291.36
$ 0.00	$ 0.00	$ 37,870,099.62	$ 40,147,491.36	$ 39,676,573.74	$ 470,917.62	$ 40,147,491.36

Summary of Ending Fund Balance	Reserved	Surplus	Total
Reserved			
Department Sales and Services	$ 8,930,725.47		$ 8,930,725.47
Indirect Cost Recoveries	28,014,957.16		28,014,957.16
Technology Fees	266,237.00		266,237.00
Restricted/Sponsored Funds	112,466.01		112,466.01
Uncollectible Accounts Receivable	1,461,291.36		1,461,291.36
Tuition Carry-Over	553,427.25		553,427.25
Inventories	337,469.49		337,469.49
Unreserved			
Surplus		$ 470,917.62	470,917.62
Total Ending Fund Balance - June 30	$ 39,676,573.74	$ 470,917.62	$ 40,147,491.36

GEORGIA INSTITUTE OF TECHNOLOGY
RECONCILIATION OF BUDGET TO GAAP
YEAR ENDED JUNE 30, 2015

SCHEDULE "10"

Presented below is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 6, to Net Position of business-type activities, as reported on Exhibit A.

Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "6")		$ 40,147,491.36
Amounts reported for Business-Type Activities in the Statement of Net Position are different because:		
Capital Assets used in Business-Type Activities are not reported in the Budget Fund.		1,831,242,898.00
Uncollectible accounts receivable are reported as an asset and reserved fund balance in the Budget Fund and as a contra-asset account on the Statement of Net Position.		-1,461,291.36
Funds placed on deposit with the Georgia State Financing and Investment Commission for use in capital outlay projects are reported as an outlay in the Budget Fund, but are included as a prepaid item on the Statement of Net Position.		2,611,981.00
Changes in the Fair Market Value of Investments are recognized on the Statement of Net Position, but are not reported in the Budget Fund.		2,643,618.99
Agency Fund activities are not reported as a component of the Budget Fund.		
Assets	$ 11,005,806.07	
Liabilities	-10,945,399.59	
Total Net Effect of Agency Fund Activity		60,406.48
Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund.		
Assets	$ 77,183,476.84	
Liabilities	-12,252,450.55	
Total Net Effect of Auxiliary Enterprises Fund Activity		64,931,026.29
Endowment Fund activities are not reported as a component of the Budget Fund.		
Assets	$ 127,995,496.05	
Liabilities	0.00	
Total Net Effect of Endowment Fund Activity		127,995,496.05
Loan Fund activities are not reported as a component of the Budget Fund.		
Assets	$ 14,528,683.52	
Liabilities	0.00	
Total Net Effect of Loan Fund Activity		14,528,683.52
Student Activities Fund activities are not reported as a component of the Budget Fund.		
Assets	$ 5,771,712.67	
Liabilities	-543,333.49	
Total Net Effect of Student Activity Fund Activity		5,228,379.18
Insurance Reimbursement Fund activities are not reported as a component of the Budget Fund.		
Assets	$ 406,486.08	
Liabilities	-3,450.00	
Total Net Effect of Insurance Reimbursement Fund Activity		403,036.08
The budgetary basis of accounting implemented by the State of Georgia recognizes expenditures when encumbered. The following adjustments were made to eliminate this activity for reporting on the Statement of Net Position.		
Payables reported in the Budget Fund that are based on encumbrances are eliminated for GAAP reporting.	$ 40,688,642.64	
Payables for goods and services provided in the current fiscal year reported in the Budget Fund as encumbrances payable are reported as accounts payable for GAAP reporting.	4,870,823.16	
Total Net Effect of Encumbrance Activity		45,559,465.80

Certain Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Budget Fund.		
Prepaid Expense	$ 2,000,000.00	
Deferred Outflows on Defined Pension Plans	37,501,287.00	
Deferred Inflows on Defined Benefit Pension Plans	-95,844,453.00	
Net Pension Liability	-275,455,423.00	
Capital Leases Payable	-465,022,396.00	
Compensated Absences Payable	-43,816,874.00	
Contracts Payable	-3,573,122.20	
Claims and Judgments	-335,523.00	
Total Liabilities		$ -844,546,504.20
Rounding Variance		0.81
Net Position of Business-Type Activities (Exhibit "A")		$ 1,289,344,688.00

The supplementary information presented on Schedules 6,7,8 and 9 was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework. The information was derived from, and relates directly to, the same information used to prepare the financial statements. However, the budgetary statutes and regulations of the State of Georgia require reporting of certain information that is not in accordance with generally accepted accounting principles. Presented on this schedule is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 6, to Net Position of business-type activities, as reported on Exhibit A.

(This page left intentionally blank)

GEORGIA INSTITUTE OF TECHNOLOGY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2015

SCHEDULE "11"

	SALARIES	TRAVEL
Totals per Annual Supplement	$ 703,365,038.73	$ 27,418,190.10
Accruals		
June 30, 2015	2,559,922.00	
June 30, 2014	-2,446,024.00	
Compensated Absences		
June 30, 2015	40,703,088.00	
June 30, 2014	-38,939,956.00	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Columbus State University		
Turnista, Charles	-4,250.00	
Georgia Gwinnett College		
Kazi, Tahseen	-7,200.00	
Georgia Perimeter College		
Reddick, Erin	-11,500.00	
Tome, Carla	-550.00	
Georgia State University		
Alemdar, Meltem	-7,125.00	
Berry, Roberta	-25,000.00	
Kozhanova, Tatiana	17,866.00	
Lee, Laneisha	-3,750.00	
Kennesaw State University		
Hora, Manpreet	-1,000.00	
Southern Polytechnic University		
Ashok, Sylvester	-4,500.00	
Davis, Aika	-4,500.00	
Gwaba, Devon	-4,500.00	
Johnson, Brandon	-4,500.00	
Paik, Seung-Joon	-9,000.00	
Shanaz, Sabrina	-6,750.00	
University of Georgia		
Campe, Lee	-9,000.00	
Nash, Amy F.	-385.00	
University of West Georgia		
Alemdar, Meltem	-1,963.00	
Hendricks, Cher	8,612.00	
Hild, Matthew	8,074.00	
University System of Georgia, Board of Regents		
King, Greg	-60,616.00	
Loftis, Rich	-8,126.00	
Moolenaar, Keysha	-1,800.00	
Pearman, David	-64,167.00	
Todd, Robert	-98,483.00	
Unidentified Variance	-273,225.73	-517.10
	$ 704,664,730.00	$ 27,417,673.00

(This page left intentionally blank)

SECTION III

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

December 18, 2015

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

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Georgia Institute of Technology as of and for the year ended June 30, 2015, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Georgia Institute of Technology's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Respectfully submitted,

Greg S. Griffin
State Auditor

GSG:as
2015YB-10

(This page left intentionally blank)

SECTION IV

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-503-14-01	Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

(This page left intentionally blank)

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CREATING THE NEXT

Georgia Institute of Technology