

4 June 2010

ORIGINAL

Mr. Duane A. Hardesty
Research & Test Reactors
US Nuclear Regulatory Commission
Mailstop O-12 D03, One White Flint North
11555 Rockville Pike
Rockville, MD 20852

SUBJECT: PURDUE UNIVERSITY - REQUEST FOR ADDITIONAL INFORMATION REGARDING
THE PURDUE UNIVERSITY REACTOR LICENSE RENEWAL (TAC NO. ME 1594),
RESPONSES TO RAIs DATED 24 MARCH 2010, ML100820019

Dear Mr. Hardesty:

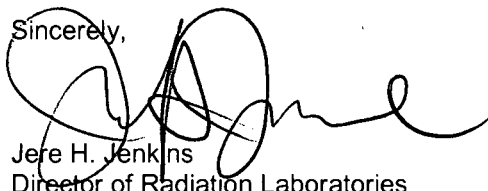
Enclosed please find the responses to the Request for Additional Information regarding the Purdue University Reactor License Renewal dated 24 March 2010. Included with this submission are the following:

1. Specific responses to the questions in ML100820019 regarding financial assurance.
2. A Statement of Intent (SOI) to provide decommissioning funds when necessary signed by the Treasurer of the University.
3. A copy of Purdue University Executive Memorandum C-10, which provides a detail of the duties of the university Treasurer, the signator of the SOI, and indicates authority to sign the SOI.
4. A copy of the by-laws of the Purdue University Board of Trustees, which further details the signature authority of the university Treasurer to commit university and State of Indiana funds.
5. A copy of the most recent Purdue University financial report.

Should you have any questions or require further information, please don't hesitate to call me at 765.496.3573, or e-mail at jere@purdue.edu.

I hereby certify under penalty of perjury with my signature below that the information in this submission is true and correct to the best of my knowledge.

Sincerely,



Jere H. Jenkins
Director of Radiation Laboratories

Attachments: As described.

Cc: Document Control Desk; USNRC
Leah Jamieson; Purdue
Jim Schweitzer, Purdue
Ahmed Hassanein, Purdue

School of Nuclear Engineering

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**REQUESTED ADDITIONAL INFORMATION IN RESPONSE TO RAIs DATED 24 MARCH 2010
(ML100820019)
REGARDING THE PURDUE UNIVERSITY REACTOR LICENSE RENEWAL
(TAC NO. ME 1594)**

1. Pursuant to 10 CFR 50.33(d), certain information is required by the applicant, as applicable. To comply with 10 CFR 50.33(d), please provide the following additional information:
 - (a) A statement of the organizational form of Purdue (e.g., Agency of the State of Indiana, corporation, etc.).
 - (b) A statement on whether Purdue is owned, controlled, or dominated by an alien, foreign corporation, or foreign government, and, if so, provide details.

PUR-1 Response

- (a) **Purdue University is an Agency of the State of Indiana, established by the Indiana Code Title 21, specifically IC 21-23-2.**
 - (b) **Purdue University is not owned, controlled or dominated by an alien, foreign corporation or foreign government.**
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2. *The NRC staff will analyze the financial statements for the current year, which are required by 10 CFR 50.71(b), to determine if the applicant is financially qualified to operate the PUR-1. Since Purdue's financial statements were not included with the application, please provide a copy of the latest financial statements for the NRC staff's review.*

PUR-1 Response

The current Purdue University financial report is included with this submission.

3. Pursuant to 10 CFR 50.33(f)(2), "[t]he applicant shall submit estimates for total annual operating costs for each of the first five years of operation of the facility." Since a summary of these costs were not provided in the application, please provide the following additional information:
 - (a) Projected operating costs of the PUR-1 for each of the fiscal years (FY) 2012 through FY2016 (the first five-year period after the projected license renewal).
 - (b) Purdue's source(s) of funding to cover the operating costs for the above fiscal years.

PUR-1 Response

- (a) **PUR-1 has limited operating costs, which consist of only salaries of the three staff members and a modest Operations and Maintenance budget. Based on the information from FY 08-09, The total salaries for the three staff members was \$155,839, with an additional \$75,363 in overhead (benefits). The average O&M expenditures for the preceding three years (06-07 through 08-09) for the reactor was \$10,959.**

Using this as a basis, with the change of assuming an O&M budget of \$15,000, and also assuming an annual COLA increase of 3% in salaries and overhead (Purdue employees have now gone two years without salary increases due to State and University budget constraints), the projected operating costs for the reactor are shown in Table 1 for FY 2012 through 2016.

Table 1: Projected budget requirements for PUR-1 for the next five years.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Salary/Overhead	\$ 165,188.92	\$ 170,144.58	\$ 175,248.92	\$ 180,506.39	\$ 185,921.58
O&M	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Total	\$ 180,188.92	\$ 185,144.58	\$ 190,248.92	\$ 195,506.39	\$ 200,921.58

- (b) The operation budget of PUR-1 (salaries and O&M) is entirely funded by the School of Nuclear Engineering recurring budget, which is provided by the university annually. The budget funds provided for the last three years were \$1,662,572, \$2,111,429 and \$2,018,929 for FY 07-08 through FY 09-10, respectively. Recurring budget allocations include salaries for department employees that are not paid from research grants, and are considered fixed costs. All three of the reactor staff are paid on these funds. So, the recurring budget allocations will include any salary increases for staff members.

The \$15,000 Operations and Maintenance estimate is conservative, and the funds either come from the recurring budget allocation Supplies and Expenses allocation, or from industrial grants.

4. In order for the NRC staff to complete its review of the PUR-1 decommissioning cost estimate as required by 10 CFR 50.75(d), please provide the following additional information:
- A current decommissioning cost estimate in 2010 dollars for the PUR-1 to meet the NRC's radiological release criteria for decommissioning the facility for unrestricted use, pursuant to 10 CFR 50.75(d)(2). Accordingly, describe the basis on how the decommissioning cost estimate was developed.
 - A summary of total decommissioning costs broken down into the categories of labor, waste disposal, other items (such as energy, equipment, and supplies) in current dollars, and a contingency factor (normally 25 percent).
 - A statement of the decommissioning method to be used (i.e., DECON, or other method.)
 - A description of the means of adjusting the cost estimate and associated funding level periodically over the life of the facility, pursuant to 10 CFR 50.75(d)(2)(iii). Since the application does not provide this information, please update the application to include a full description of the method to be used as the means of adjusting the cost estimate and associated funding level periodically over the life of the facility.
 - A numerical example showing how the 2010 decommissioning cost estimate will be updated periodically in the future.
 - Indicate which method(s) described in paragraph (e) of 10 CFR 50.75 will be used to provide funds for decommissioning the PUR-1 (e.g., statement of intent (SOI), prepayment, etc). Note: If Purdue, as a State of Indiana government licensee, intends to use a SOI, refer to question 5 below.

PUR-1 Response

- (a) The cost estimate for decommissioning the PUR-1 reactor is \$623,000 in 2010 dollars. This estimate is based on the approved cost estimate for decommissioning under Purdue University's Radioactive Materials License, adjusted for changes in the scope of work and time and resource requirements of the project. Where they were available, recent values were utilized, e.g. the case for the transportation and disposal of the HEU fuel in the 2007 conversion of PUR-1 from HEU to LEU.

Individuals and the associated salary levels are listed for each phase of the decommissioning process who may be necessary to provide services in order to decommission Purdue University facilities. Since the decommissioning of the PUR-1 reactor will most likely be anticipated, the planning and preparation portion of the

activities will be performed by Purdue University staff who have detailed knowledge of the activities in use at the facility. The availability of these staff members are based on the fact that Purdue University has operated on an uninterrupted basis since 1869 and will continue to operate for the foreseeable future, and the reactor has operated since 1962 and will continue to operate for the foreseeable future

The costs for the disposal of all non-fuel related reactor materials, and waste generated as part of the decommissioning activities are included in the estimate for waste disposal. The fuel, which is on loan from the U.S. Department of Energy, is assumed to be returned and not disposed of in this estimate. Costs for insurance are not included since Purdue University is self-insured and maintains additional catastrophic and liability insurance for major events. We will assume that this coverage will remain in force and cover decommissioning activities. In addition, as a state governmental entity Purdue is exempt from all state and federal taxes.

Since Purdue University has extensive instrumentation and monitoring equipment (gamma spectrometers, liquid scintillation counters, GM meters, etc.) it will be assumed that there will be no significant costs other than time to analyze samples and verify contamination levels during the decommissioning process. The Radiation Safety Officer would remain to supervise and coordinate activities and provide the decommissioning documentation to the NRC and as an employee of Purdue University there will be no contractor profit computed on this workers' cost.

The labor costs are broken down in Table 2 and

Table 3. And materials and services are detailed in

Table 4.

Table 2: Salary Information for Decommissioning Labor Costs

Position	Basic Salary (\$/yr)	Annual Worker Cost ⁽¹⁾
Facility Director	\$65,000	\$97,500
Radiation Safety Officer	\$110,000	\$165,000
Reactor Supervisor	\$60,000	\$90,000
SRO/Reactor Technician	\$50,000	\$75,000
Health Physicist	\$60,000	\$90,000
Radiation Technician	\$36,000	\$54,000
Foreman	\$67,500	\$101,250
Craft Labor	\$52,000	\$78,000
General Labor	\$28,000	\$42,000

⁽¹⁾ Includes 50% overhead, in 2010 dollars

Table 3: Decommissioning Labor Cost Breakdown

	Effort (person-year)	Total Labor Cost
Preparation of Documentation for Regulatory Agencies		
Facility Director	7.69%	\$7,500
Radiation Safety Officer	7.69%	\$12,692
Reactor Supervisor	3.85%	\$3,462
SRO/Reactor Technician	3.85%	\$2,885
Health Physicist	0.00%	\$ 0
Radiation Technician	0.00%	\$ 0
Foreman	0.00%	\$ 0
Craft Labor	0.00%	\$ 0
General Labor	0.00%	\$ 0
Subtotal		\$26,538

	Effort (person-year)	Total Labor Cost
Development of Work Plans, Equipment Procurement		
Facility Director	7.69%	\$7,500
Radiation Safety Officer	1.92%	\$3,173
Reactor Supervisor	3.85%	\$3,462
SRO/Reactor Technician	3.85%	\$2,885
Health Physicist	3.85%	\$3,462
Radiation Technician	0.00%	\$ 0
Foreman	1.92%	\$1,947
Craft Labor	0.00%	\$ 0
General Labor	0.00%	\$ 0
Subtotal		\$22,428
Development and Presentation of Training		
Facility Director	0.00%	\$ 0
Radiation Safety Officer	0.00%	\$ 0
Reactor Supervisor	0.00%	\$ 0
SRO/Reactor Technician	0.00%	\$ 0
Health Physicist	3.85%	\$3,462
Radiation Technician	0.00%	\$ 0
Foreman	1.92%	\$1,947
Craft Labor	1.92%	\$1,500
General Labor	1.92%	\$808
Subtotal		\$7,716
Initial Characterization of Radiological Condition of the Facility		
Facility Director	0.00%	\$ 0
Radiation Safety Officer	1.92%	\$3,173
Reactor Supervisor	0.00%	\$ 0
SRO/Reactor Technician	0.00%	\$ 0
Health Physicist	3.85%	\$3,462
Radiation Technician	3.85%	\$2,077
Foreman	0.00%	\$ 0
Craft Labor	0.00%	\$ 0
General Labor	0.00%	\$ 0
Subtotal		\$5,538
Final Characterization of Radiological Condition of the Facility		
Facility Director	0.00%	\$ 0
Radiation Safety Officer	1.92%	\$3,173
Reactor Supervisor	0.00%	\$ 0
SRO/Reactor Technician	0.00%	\$ 0
Health Physicist	3.85%	\$3,462
Radiation Technician	3.85%	\$2,077
Foreman	0.00%	\$ 0
Craft Labor	0.00%	\$ 0
General Labor	0.00%	\$ 0
Subtotal		\$5,538
Demolition and Removal of Equipment, Closure of Facility		
Facility Director	1.92%	\$1,875
Radiation Safety Officer	1.92%	\$3,173
Reactor Supervisor	3.85%	\$3,462
SRO/Reactor Technician	1.92%	\$1,442
Health Physicist	1.92%	\$1,731
Radiation Technician	7.69%	\$4,154
Foreman	1.92%	\$1,947
Craft Labor	7.69%	\$6,000
General Labor	7.69%	\$3,231

Subtotal	Effort (person-year)	Total Labor Cost
		\$21,966
Defueling/Transportation of Spent Fuel		
Facility Director	1.92%	\$1,875
Radiation Safety Officer	1.92%	\$3,173
Reactor Supervisor	3.85%	\$3,462
SRO/Reactor Technician	3.85%	\$2,885
Health Physicist	3.85%	\$3,462
Radiation Technician	1.92%	\$1,038
Foreman	1.92%	\$1,947
Craft Labor	1.92%	\$1,500
General Labor	0.00%	\$ 0
Subtotal		\$14,293
Grand Total		\$104,019

Table 4: Material and Services Breakdown for Decommissioning Costs

Transportation/Disposal of Fuel		
Contractor Services	\$60,000	
Transportation	\$30,000	
	\$90,000	
Materials/Equipment		
Decontamination/Dismantling of Facility Components		
Disposable Gloves, Anti-C clothes, boots	\$5,000	
Bags, Containers, Wiping cloths, Brushes	\$3,500	
Absorbent, Decontamination/cleaning solutions	\$2,000	
Glove bags, filters, negative air units, respirators	\$2,000	
Encapsulant, tools, personal protective equipment	\$2,000	
Rental of miscellaneous equipment	\$15,000	
Backfill and Concrete for cap	\$10,000	
	\$39,500	
Low Level Waste	Volume (m³)	Volume (ft³)
Non-fuel related reactor hardware	10	353.15
Stainless Steel Liner (only activated parts)	10	353.15
Waste generated during decontamination/demolition	10	353.15
	<i>Total cubic feet</i>	1059.45
	<i>Cost assuming \$250/ft³</i>	\$264,862.50

(b) The data in Table 5 are the breakdown summary for decommissioning costs for PUR-1.

Table 5: Summary of Decommissioning Expenses

Materials/Equipment/Supplies	\$39,500
Transportation/Disposal of Fuel	\$90,000
Labor	\$104,019
LL-Waste Disposal	\$264,863
Contingency (25%)	\$124,595
Total	\$622,977

- (c) The method for the decommissioning of PUR-1 will be by decommissioning without significant delay. No conceivable conditions are anticipated where delays would be required.
- (d) The average inflation rate for the calendar years 2004-2009 according to the U.S. Bureau of Labor Statistics was 2.58% (Excluding 2009, which was a deflationary year, the value is 3.18%). If an inflation rate of 5% is assumed, and it is assumed that the cost of labor, goods and services increases at that rate uniformly, then the projected decommissioning costs for PUR-1 will have increased to approximately \$835,000 in 2016. Since Purdue University is filing a Statement of Intent (i.e. not funds are being set aside now), and funding resources will be provided when needed by the university or the State of Indiana, and the projected cost calculated on a conservative inflation rate is still very small compared to the financial resources of the university and the State, no detailed adjustment of this funding level should be required other than reasonable assurance that the inflation rate is staying near or below the 5% used in this example.
- (e) Assuming a 5% inflation rate, and a cost in 2010 dollars of \$623,000, the projected costs of the decommissioning in 2016 is:

$$\$623,000 \times 1.05^6 \cong \$834,880$$

- (f) Purdue University is providing a Statement of Intent (SOI) from the Treasurer of the University to guarantee funds for the decommissioning of PUR-1 when they are required (see attachment). Purdue University is an Agency of the State of Indiana. See the response to Questions 1 and 5 for details.

5. Where the applicant intends to use a SOI, the NRC staff must find that the applicant "is a Federal, State, or local government licensee." To make this finding, the applicant must state that it is a State government organization and that the decommissioning funding obligations of the applicant are backed by the State government, and also provide corroborating documentation. Further, the applicant must provide documentation verifying that the signator of the SOI is authorized to execute said document that binds the University. This document may be a governing body resolution, management directive, or other form that provides an equivalent level of assurance. As the application does not include all of the above information, please provide the following information:
- (a) An updated SOI which includes the current (2010 dollars) cost estimate for decommissioning, a statement that funds for decommissioning will be obtained when necessary, typed name and title of the signator, and original signature of the signator, and the signator's oath or affirmation attesting to the information.
- (b) Documentation that corroborates that Purdue is a State Agency and a State of Indiana government licensee under 10 CFR 50.75(e)(2)(iv).
- (c) A statement as to whether the decommissioning funding obligations for the PUR- 1 are backed by the government of the State of Indiana. The application must also present documentation that corroborates this statement. For example, the documentation may be a copy of or complete citation to a state statute that expressly provides that, at a minimum, the decommissioning funding obligations of the applicant are backed or supported by the full faith and credit of the State of Indiana, or an opinion of the applicant's General Counsel with citations to statutes, regulations, and/or case law that, at a minimum, the obligations of the applicant are backed or supported by the full faith and credit of the State of Indiana.

- (d) *Documentation verifying that the signator of the SOI is authorized to execute such a document that binds the applicant financially. For example, provide a copy of Purdue's governing board or equivalent resolution or a copy of an official Purdue University delegation of authority showing that the signator of the SOI has been authorized by Purdue to bind the university financially to at least the funding for the decommissioning of the PUR-1.*

PUR-1 Response

- (a) **A Statement of Intent (SOI) is included with this document.**
- (b) **As stated in the answer to Question 1(a), Purdue University is an Agency of the State of Indiana, established by the Indiana Code Title 21, specifically IC 21-23-2.**
- (c) **Indiana Code IC 21-7-13-32 establishes the support of the general assembly appropriations to the operations of Purdue University.**
- (d) **A copy of the bylaws of the Purdue University Board of Trustees is included as an attachment to this document. The existence and authority of the Board of Trustees is provided for by the State of Indiana via Indiana Code IC 21-23-3. The Treasurer of Purdue University is also a member of the Board of Trustees (see the attached bylaws) and has the authority to bind the university to the funding of the decommissioning of PUR-1 when it is required. This authority is also established by Executive Memorandum C-10 (attached) entitled "Delegation of Administrative Authority and Responsibility to Officers Reporting to the President of the University"**

**PURDUE UNIVERSITY
OFFICE OF THE PRESIDENT
EXECUTIVE MEMORANDUM No. C-10**

(Supersedes Executive Memorandum No. B-64)

July 31, 1987

To: Deans, Chancellors, Directors, and Heads of Schools, Divisions, Departments and Offices

Re: Delegation of Administrative Authority and Responsibility to Officers Reporting to the President of the University

The Trustees of Purdue University, which by law are granted all powers and responsibility for the operation and management of the University, have in turn made specific delegations of authority to the President, the Treasurer, and the Faculty. (See the Bylaws of the Trustees and The University Code.)

The President of the University shall be the chief executive officer of the University and, subject to the control of the Board, he shall manage, direct and be responsible for the conduct of all the affairs of the University. He is assisted by a number of administrative officers and by this memorandum, the President makes assignment of specific administrative responsibilities to members of his staff.

I. Authority Retained by the President.

A. The following authority is retained by the President of the University:

1. All matters involving the Trustees, except those assigned by statute or Trustees' regulations to the Treasurer.
2. All matters involving, and all communications with Federal and State Government, the U. S. Congress and the Indiana General Assembly, except where otherwise specifically provided by law.
3. All matters pertaining to, and all communications with state agencies such as the Indiana Commission for Higher Education.
4. Review and approval of all University budgets for transmittal to the Trustees.
5. Recommendations to the Board of Trustees of all appointments.
6. Selection of Vice Presidents, Chancellors and Deans and approval of all academic and administrative titles.
7. Relationships with other colleges and universities, including statewide and/or inter-institutional telecommunications and radio.
8. The University's Equal Employment Opportunity and Affirmative Action Programs.

- B. The Vice Presidents and Chancellors shall act for and assist the President in such of the above enumerated authorities as the President shall assign and carry out such other duties as the President may direct.
- II. The following specific assignments of administrative authority and responsibility are hereby delegated to members of the staff of the President of the University, to assist and act for the President.
- A. Authority and Responsibility of the Executive Vice President for Academic Affairs.
 - 1. Assist the President in all academic matters affecting the Purdue University system including coordination and liaison for curricular and faculty affairs at the regional campuses and IUPUI.
 - 2. Serve as chief academic officer for graduate education and sponsored research for the Purdue University system.
 - 3. Coordinate continuing education for the Purdue University system.
 - 4. Serve as chief academic officer for the West Lafayette campus with responsibility for:
 - a. Instruction
 - b. Research
 - c. Extension
 - d. Continuing Education
 - e. Student Services (exclusive of nonacademic student counseling in the residence halls and the Purdue Memorial Union)
 - f. Academic Services including the libraries and academic computing facilities
 - g. Faculty affairs
 - h. Coordinate academic planning for new and remodeled university facilities, and approve all assignments of space which affect the academic functions of the university
 - B. Authority and Responsibility of the Executive Vice President and Treasurer.
 - 1. Serve as chief financial and business officer with the authority to perform the duties usually attached to that office and as may be prescribed by federal or state statute, the policies of The Trustees and the President of the University.
 - 2. Receive, take charge of and manage all securities, properties, and funds, including trust funds, belonging to the University.
 - 3. Supervise and have responsibility for:
 - a. All business and financial affairs, including receipt of all moneys, maintenance of books of accounts, accounting procedures, and preparation and control of all budgets.
 - b. All business services including contract administration, purchasing, administrative data processing, business administrators, airport, and service enterprises.
 - c. Establishment of policies and procedures for recruiting, testing, wage administration, employee relations, and training of clerical and service personnel for the University, and the approval of financial transactions and payroll forms related thereto.
 - d. Physical Plant
 - e. University Residences (including nonacademic student counseling programs within these residences).
 - f. Purdue Memorial Union (including nonacademic student counseling programs within this area), Edward C. Elliott Hall of

- Music, Slayter Center of Performing Arts, and the Black Cultural Center.
 - g. Internal Audit
 - h. Planning and financing of University buildings and facilities
 - i. Legal and legislative affairs
 - j. Financial relationships with affiliated corporations.
- C. Authority and Responsibility of the Vice President for Development.
- 1. Direct and coordinate all development and fund-raising activities for Purdue University, other than those which pertain to sponsored programs or governmental appropriations.
 - 2. Coordinate alumni affairs and public relations for the University.
 - 3. Supervise and have responsibility for:
 - a. The University Development office.
 - b. Alumni and Development Information Services.
- D. Authority and Responsibility of the Vice President for State Relations.
- 1. Coordinate interactions with state agencies such as the Indiana Commission for Higher Education and the Indiana Higher Education Telecommunication System.
 - 2. Provide liaison with the Indiana General Assembly and the Governor's office.
 - 3. Supervise the University's Equal Employment Opportunity and Affirmative Action programs.
- E. Authority and Responsibility of the Director of University Relations.
- 1. Supervise the University News Service.
 - 2. Coordinate the public relations efforts of the University.
 - 3. Supervise the Office of Publications, including the Purdue University Press.
 - 4. Supervise the Office of Community Relations.
 - 5. Act as press secretary for the President and official spokesman for the University.
- F. Authority and Responsibility of the Fort Wayne, North Central and Calumet Campus Chancellors.

The Chancellors of the Fort Wayne, North Central, and Calumet campuses, acting for the President of the University, shall be the chief executive officers of these regional campuses.

Subject to the authority and responsibility vested in the Treasurer by law and by The Trustees of Purdue University, the financial and business affairs of each regional campus shall be managed by the Regional Campus Chief Business Officer, under the general supervision of the Chancellor and in accordance with the policies and procedures established by the Treasurer. The Chief Business Officer shall be a joint appointment with, and report directly to, the Chancellor and the Treasurer. He shall be a member of the Chancellor's staff with respect to the management of campus operations and a member of the Treasurer's staff with respect to the areas of responsibility of the Treasurer which are applicable to the regional campus. The Treasurer may make specific delegations of authority and responsibility to the Chief Business Officer of the regional campus from time to time.

G. Authority and Responsibility of the Director of Intercollegiate Athletics.

The Director of Intercollegiate Athletics shall be in charge of intercollegiate athletics for the West Lafayette campus.

- III. The following general assignments of administrative authority and responsibility are delegated to each of the officers who report directly to the President for his specific area of administrative jurisdiction. All approvals relating to regional campus personnel in performance of Treasurer's functions, and to budgets relating to Treasurer's functions, shall be subject to coordination and concurrence by the Treasurer.
- A. Plan, organize, develop, select personnel, and operate programs and activities.
 - B. Prepare and administer budgets in accordance with instructions and controls established by statute and by the President of the University.
 - C. Subject to final approval of the Board of Trustees and the President of the University, select, appoint, and promote administrative, instructional, research, and extension personnel (exclusive of graduate student staff). Approve travel reimbursement forms and payroll forms related thereto.
 - D. Act on requests for leaves of absence from campus duty and permission to engage in outside activities and approve forms related thereto.
 - E. Act on requests for authority to travel on University business and approve forms related thereto.
 - F. Review and recommend, jointly with the Executive Vice President and Treasurer, for consideration and action by the President of the University and the Board of Trustees, all proposals for new programs or major revisions in existing programs which require:
 - 1. New budgetary allotments and commitments.
 - 2. Additional personnel.
 - 3. New facilities and/or equipment.
 - G. In all instances, administration and approvals shall be in accordance with existing laws, policies, and regulations of the University as set forth in the Indiana statutes, The University Code, the Business Procedure Manual, and the Bylaws and actions of The Trustees of Purdue University.
 - H. Any changes, temporary or permanent, in delegation of document approval responsibility to members of the staff of the President of the University as set forth in this Executive Memorandum must have advance written approval by the President of the University.

Steven C. Beering
President

**BYLAWS OF
THE TRUSTEES
of
PURDUE UNIVERSITY**

As Amended November 10, 2006

Definitions

Corporation -- The body corporate created by the General Assembly of Indiana under the name "The Trustees of Purdue University."

Board -- The Board of Trustees of The Trustees of Purdue University.

University -- The educational institution managed and conducted by the Board and known as "Purdue University."

ARTICLE I

Seal

The seal of the Corporation shall be a circular disk with the initial "P" in the center. The words "PURDUE UNIVERSITY" appear around the upper circumference of the disk and the words "SEAL OF THE TRUSTEES" appear around the lower circumference.

ARTICLE II

Meetings of the Board

Section 1. Stated Meetings. The Board of Trustees shall hold at least six stated meetings in each calendar year, at such times and places as may be determined by the Board, or in the absence of a Board determination, by the Chairman of the Board. One of the stated meetings shall be the annual meeting and it shall be held on the campus in West Lafayette at the first stated meeting after July 1 of each year. Other stated meetings shall be held either on the campus at West Lafayette or on a regional campus. Written notice of the time and place of all meetings shall be given by the Secretary to each member of the Board at least three days prior to the day of the meeting.

Section 2. Special Meetings. A special meeting of the Board may be called by the Chairman at any time. At the request of at least three Trustees the Chairman shall call a special meeting and upon failure to do so within ten days after such request is made, any three Trustees may call a special meeting. The same notice shall be given of a special meeting as of a stated meeting, except that if the Chairman or the person calling the meeting declares that an emergency exists, no written notice need be given, provided that actual notice of such meeting shall have been given at least twelve hours before the meeting to such Trustees as are then within the State of Indiana and the certificate of the Secretary to that effect is presented to the meeting.

Section 3. Waiver of Notice. In lieu of notice, a written waiver of notice of any meeting may be signed by any member before or after such meeting. Attendance at a meeting shall constitute a waiver of notice thereof.

Section 4. Action at Stated and Special Meetings. At all stated and special meetings it shall be valid to act on any subject within the power of the Corporation.

ARTICLE III

Procedure at Meetings

Section 1. Quorum. A majority of the members of the Board shall constitute a quorum for the transaction of business. Any number less than a quorum present at a meeting duly called may adjourn from time to time until a quorum shall be in attendance.

Section 2. Order of Business. The business at each stated or special meeting shall be conducted in the following order unless changed by the Board:

- A. Roll Call
- B. Board of Trustees Membership, Meetings, and Committee Assignments
- C. Minutes of the Board of Trustees and Its Committees
- D. Reports of the President, University Officers, Committees and Representatives to the Board
- E. University Staff
- F. Educational Policy

- G. Research
- H. University Construction
- I. Contracts, Leases, and Purchases
- J. Gifts, Estates, and Trusts
- K. Tuition, Fees, and Other Charges
- L. Scholarships, Fellowships, and Student Loans
- M. Related Corporations
- N. Legislation
- O. University-Community Relations
- P. Resolutions
- Q. Other Business

ARTICLE IV

Officers

Section 1. Election. At its annual meeting in each odd-numbered year (hereinafter called the "biennial meeting"), the Board shall elect a Chairman, Vice Chairman, Treasurer, Secretary and Legal Counsel of the Corporation, and may elect an Assistant Secretary, an Assistant Treasurer, an Assistant Legal Counsel and such other officers of the Corporation as it may desire. Any member of the Board shall be eligible to the office of Chairman or Vice Chairman. Neither the Treasurer, the Secretary, the Legal Counsel, nor their assistants, shall be a member of the Board. All officers shall serve for a term of two years and until their successors are chosen and qualified.

Section 2. Chairman. Except as herein otherwise provided, the Chairman shall call and preside at all meetings of the Board; shall sign (manually or by facsimile) all diplomas and all contracts and other written instruments as provided in Article VII; and shall have the authority and perform the duties usually attached to the office and as may be prescribed by the Board.

Section 3. Vice Chairman. The Vice Chairman shall have the authority and perform the duties of the Chairman in case of the Chairman's absence or incapacity and such other authority and duties as may be prescribed by the Board or these Bylaws.

Section 4. Secretary. The Secretary shall attend all stated meetings of the Board and executive sessions when requested by the Board. The Secretary shall make and have custody of a complete and permanent record of the proceedings of the Board and shall have custody of the bonds of the Treasurer

and of any Assistant Treasurer. The Secretary shall record all calls for meetings of the Board and give all notices of such meetings; shall notify all committees of their appointment; and shall keep a record of the appointment and terms of office of the members of the Board. The Secretary shall attest the execution of documents signed by the Chairman, Vice Chairman or Treasurer; shall have custody of the seal of the Corporation and affix it to appropriate documents; and shall have the authority and perform the other duties usually attached to the office and any other duties prescribed by the Board.

Section 5. Assistant Secretary. The Assistant Secretary shall have the authority and perform the duties of the Secretary in the case of the Secretary's absence or incapacity and as may be prescribed by the Board or these Bylaws.

Section 6. Treasurer. The Treasurer shall be the chief financial and business officer of the Corporation. By virtue of the office, the Treasurer shall also be the Treasurer of the University. The Treasurer may be a Vice President of the University; shall attend all stated meetings of the Board and executive sessions when requested by the Board; shall receive, take charge of and, under the direction of the Board, manage all securities, properties and funds belonging to the Corporation or the University and all trusts in which the Corporation or University is interested.

All officers, heads of departments, and other employees whatsoever who receive moneys on account of the Corporation or University shall immediately pay the same to the Treasurer with a complete description and account of such moneys; and no disbursements shall be made of moneys collected, used or disbursed in the conduct of the Corporation or of the University and their business, without the authorization of the Treasurer.

The Treasurer shall arrange for the safekeeping of all securities and the deposit of all funds in the name of the Corporation or of the University. All funds shall be subject to withdrawal by the Treasurer and by such other persons as the Board may designate.

The Treasurer shall have the power to invest and reinvest all funds, including trust funds, in accordance with the policies established by the Board or its Finance Committee. The Treasurer shall have the power to incur indebtedness in the name of the Corporation through the borrowing of money, in

accordance with applicable laws and the policies established by the Board or its Finance Committee. The Treasurer shall attend the meetings of that committee and serve as its Secretary and keep a record of its proceedings.

The Treasurer shall submit and make such reports as the Board or its committees may request.

The Treasurer shall be a resident of Tippecanoe County, Indiana, and shall give a fidelity bond in the sum of not less than \$500,000 to the approval of the Board. The Treasurer shall also give bond in the sum of not less than \$50,000 to the approval of the Board for the faithful execution of the Treasurer's trust and duties, with sufficient sureties, as the Board may require, all in accordance with Indiana Code 20-12-38-1, as amended. The bonds so given shall be recorded by and placed in the custody of the Secretary.

Under the general supervision of the President of the University and in accordance with the policies of the Board, the Treasurer shall be responsible for the maintenance of proper books of account and accounting procedures, the preparation of the University budget and budgetary control, the purchasing of all items of equipment and supplies, the employment of all clerical and service personnel, the supervision of all business and financial affairs of the University, including the Edward C. Elliott Hall of Music, Loeb Playhouse, the Purdue Memorial Union, the Department of Intercollegiate Athletics, all residence halls and other housing facilities, all auxiliary and service enterprises, and the planning, development, maintenance and operation of the physical plant of the University.

The Treasurer, or a representative duly authorized by the Treasurer, shall examine, approve and sign the written instruments requiring the Treasurer's approval as provided in Article VII. The Treasurer shall have the authority and perform the duties usually attached to the office and as may be prescribed by law, the Board, or these Bylaws.

The Treasurer of the Corporation shall maintain an internal audit office independent of any other office of the Corporation or of the University. The Director of Audits shall submit to the Board annually a written report on the work of the internal audit office for the preceding calendar year. In addition, the Director of Audits, prior to the presentation of the written annual report, shall make an annual oral presentation concerning the work of the internal audit office to the

Audit and Insurance Committee, which shall be made in the presence of the Treasurer. Immediately following the completion of each oral presentation, the Director of Audits shall confer with the Audit and Insurance Committee, outside the presence of the Treasurer or any other officer of the University on any subject germane to the area of responsibility of the internal audit office. The written annual report to the Board shall be made at a stated meeting selected by the Audit and Insurance Committee but in no event shall it be deferred beyond July 1 of each year without the consent of the Chairman. In addition, at any time when in the judgment of the Director of Audits circumstances warrant or in response to a request from the Chairman of the Audit and Insurance Committee, the Director of Audits shall make a written or oral report to the Chairman of the Audit and Insurance Committee without informing the Treasurer or any other University officer. Subject to the foregoing, the Treasurer shall attend the meetings of the Audit and Insurance Committee and serve as its Secretary and keep a record of its proceedings.

Section 7. Assistant Treasurer. The Assistant Treasurer shall be a resident of Tippecanoe County, Indiana, and shall give a fidelity bond in the sum of not less than \$500,000 to the approval of the Board. The bond shall be recorded by and placed in the custody of the Secretary. The Assistant Treasurer shall have the authority and perform the duties of the Treasurer in the case of the Treasurer's absence or incapacity and any other duties prescribed by the Board or these Bylaws.

Section 8. Legal Counsel. The Legal Counsel shall attend all stated meetings of the Board and executive sessions when requested by the Board, and shall render such professional services as may be requested by the Board and the officers of the Corporation and the University.

Section 9. Assistant Legal Counsel. The Assistant Legal Counsel shall assist the Legal Counsel and shall perform the duties of that officer in cases of absence or disability.

ARTICLE V

Committees

Section 1. Executive Committee. The Chairman, Vice Chairman and at least one other member of the Board appointed by the Chairman

after consultation with the Board, shall constitute an Executive Committee which shall serve until the next biennial meeting and until their successors are appointed. During intervals between meetings of the Board, and subject to such limitations as may be required by law or specifically imposed by action of the Board, the Executive Committee shall have and may exercise all of the powers of the Board. The Executive Committee shall keep a record of its proceedings and report the same in full to the Board at its next stated or special meeting, but the failure to do so or the failure of the Board to approve any actions theretofore taken by the Executive Committee shall not invalidate such action. Neither the creation of the Executive Committee nor the delegation thereto of any authority of the Board shall operate to relieve the Board or any member thereof of any responsibility imposed upon it or upon such member by law.

Section 2. Finance Committee. After consultation with the Board, the Chairman shall appoint a minimum of three members of the Board to the Finance Committee who shall serve until the next biennial meeting and until their successors are appointed; provided, however, that the Chairman and Vice Chairman of the Board may not serve as Chairman of the Finance Committee. Subject to the control of the Board, the Finance Committee shall maintain oversight of the management of the investments, funds and trusts of the Corporation and of the University by the Treasurer, as well as oversight of the Corporation's debt program incurred through borrowing money. The Finance Committee shall make an annual report to the Board at one of its stated meetings as determined by the Committee, but no later than July 1 of each year.

Section 3. Audit and Insurance Committee. After consultation with the Board, the Chairman shall appoint a minimum of three members of the Board to the Audit and Insurance Committee who shall serve until the next biennial meeting and until their successors are appointed. The Chairman shall pay particular attention to the financial expertise of Board members in making appointments to the Committee.

Subject to the control of the Board, the Audit and Insurance Committee shall maintain oversight of the internal audit function and shall receive and take appropriate action upon the various reports made to it by the Treasurer, the Director of Audits or by any other person as such reports may relate to the area of

the Audit and Insurance Committee's responsibilities generally. The Audit and Insurance Committee shall make an annual report to the Board at one of its stated meetings as determined by the Committee.

The Audit and Insurance Committee shall take such steps as it deems necessary to be fully informed and shall receive a copy of the Purdue University Annual Financial Report. In connection with the University's annual financial report, the Audit and Insurance Committee shall obtain such certifications from University officers as the Committee deems appropriate to insure compliance with all relevant and appropriate applicable accounting standards. The Committee, through the Treasurer and the Director of Audits, shall establish procedures for the receipt, retention and treatment of complaints received by the University regarding accounting, internal controls and auditing matters, and shall implement and monitor a system that will enable University employees and others to submit information on such matters in a confidential, anonymous manner.

Section 4. Physical Facilities Committee. After consultation with the Board, the Chairman shall appoint a minimum of three members of the Board to the Physical Facilities Committee, who shall serve until the next biennial meeting and until their successors are appointed. The Physical Facilities Committee shall maintain oversight of facilities construction and renovation activities of the Corporation.

Section 5. Other Committees. With the approval of the Board, the Chairman may appoint such other special or permanent committees as the Chairman may deem advisable. Board members may not serve on more than two committees nor be chairman of more than one committee, except where the number of committees or the number of available Board members renders such limitations impractical.

Section 6. Conduct of Committee Meetings. Meetings of any Committee may be conducted through the use of any means of communication by which all members of the Committee participating may simultaneously hear each other during the Committee meeting. Any committee member participating in a meeting by this means is considered to be present in person at the meeting.

ARTICLE VI

Officers and Faculty of the University

Section 1. President of the University.

The President of the University shall be elected by the Board upon receiving not less than six affirmative votes of members of the Board. The Board shall fix the length and terms of the President's employment. The President shall attend all stated meetings of the Board and executive sessions when requested by the Board, and report on the affairs of the University.

The President of the University shall be the chief executive officer of the University and, subject to the control of the Board, shall manage, direct and be responsible for the conduct of all the affairs of the University except those which by law or these Bylaws are made the specific responsibility of the Treasurer or other persons. The President shall have the power, in the name of the University, to make and execute, or authorize the making and execution of, all contracts and written instruments made in the ordinary course of the operations of the University except those which must be specifically approved and authorized by the Board or executed by the Corporation, as provided in Article VII; provided, however, that all contracts and written instruments imposing financial obligations on the part of the University shall first be approved by the Treasurer or a person duly authorized by the Treasurer.

Section 2. Other Officers. The Board may appoint one or more Executive Vice Presidents and Vice Presidents of the University, who may exercise such powers and perform such duties under the supervision of the President of the University as the Board may approve. The Board may appoint other officers as it desires and prescribe their duties.

Section 3. Appointments of Faculty and Staff.

The President of the University shall be the President of its Faculty. All appointments, promotions, leaves of absence and other personnel actions with respect to the Faculty and Staff of the University shall be made by the President, except to the extent that the Board may reserve the authority to ratify individually certain appointments and promotions. Those appointments and promotions which must be ratified by the Board, shall be set forth on an official list maintained by the Secretary. The Board may revise the official list from time to time without change in the Bylaws.

Section 4. Relation of Faculty to Board of Trustees.

All official communications from the Faculty to the Board shall be transmitted through the President of the University except as the permanent or special committees of the Board consult with, and receive communications from, the heads of the respective schools or departments, and except as the Board, upon its own motion, shall invite official communications from the Faculty.

ARTICLE VII

Contracts and Other Written Instruments

Section 1. Instruments Requiring Specific Approval and Authorization of the Board.

Except as otherwise expressly authorized by resolution of the Board or these Bylaws, the execution of the following types of contracts and other written instruments shall require specific approval and authorization by the Board:

(a) All contracts and other written instruments relating to the acquisition or disposition of real estate or any interests therein, except that:

- (i) leases with annual rents of \$150,000 or less may be approved and executed by the Treasurer;
- (ii) leases with annual rents of more than \$150,000, but less than \$400,000, may be approved by the Physical Facilities Committee;
- (iii) contracts for purchase of real estate for \$500,000 or less may be approved and executed by the Treasurer;
- (iv) contracts for purchase of real estate for more than \$500,000 and up to and including \$1,000,000, may be approved by the Physical Facilities Committee; and
- (v) all licenses, grants or easement and rights of-way may be approved and executed by the Treasurer.

(b) Authorization for all contracts for construction of new buildings, additions to existing buildings, or improvements, major alterations, repairs or rehabilitation of existing buildings or other capital plant assets the estimated cost of which exceeds

\$5,000,000, and project budgets therefor, shall be approved by the Board. Authorization of such contracts, the estimated cost of which is more than \$2,000,000 and up to \$5,000,000, and project budgets therefor, may be authorized by the Physical Facilities Committee. Such contracts the estimated cost of which is \$2,000,000 or less, and project budgets therefor, may be authorized, by the Treasurer. However, demolition of any significant structure shall be authorized and approved by the Board.

Award of all contracts for construction of new buildings, additions to existing buildings, or improvements, major alterations, repairs, rehabilitation or demolition of existing buildings or other capital plant assets in an amount in excess of \$5,000,000 shall be approved by the Board. Award of such contracts in which the costs are more than \$2,000,000 and up to \$5,000,000 may be approved by the Physical Facilities Committee. The Treasurer may execute all contracts under this subsection as approved for award by the Board or the Physical Facilities Committee. Award of such contracts which are in the amount of \$2,000,000 or less may be approved and executed by the Treasurer. Those contracts approved by the Treasurer which are in excess of \$1,000,000 shall be disclosed to the Physical Facilities Committee at its next meeting following the award of such contracts.

(c) Any change orders in connection with contracts of the types specified in (b) above, which increase the amount of such contracts by more than \$1,000,000 shall be authorized and approved by the Board. Change orders which increase the contract amount by more than \$250,000 and up to \$1,000,000 may be authorized and approved by the Physical Facilities Committee. The Treasurer may execute all change orders under this subsection as approved by the Board or the Physical Facilities Committee. Change orders which increase the contract amount by \$250,000 or less may be authorized, approved and executed by the Treasurer, but if the increase is in excess of \$150,000, the execution of such change order shall be reported by the Treasurer to the Physical Facilities Committee at its next meeting. Authority to approve and execute change orders of \$150,000 or less may be delegated by the Treasurer to the Vice President for Physical Facilities.

(d) All written instruments to which the University or the Corporation is a party creating, amending and revoking trusts in which the University or Corporation is interested.

(e) All other contracts imposing financial obligations on the part of the University or the Corporation in excess of \$2,000,000. The Treasurer may execute all other contracts imposing financial obligations as approved by the Board, and authorize, approve and execute such contracts imposing financial obligations of \$2,000,000 or less. However, any such contract of more than \$1,000,000 and up to \$2,000,000 shall be reported to the Finance Committee at its next meeting. No approval shall be required under this subparagraph (e) if the obligation involved has been previously approved by the Board through the allocations of funds or otherwise, or if the obligation is one relating to normal and routine operations, such as public utility services, equipment maintenance contracts or requirements contracts.

(f) All such contracts and written instruments (except as otherwise authorized) in subparagraphs [a], [b], [c] and [e] above shall be in form approved by the Treasurer and shall be executed, if in the name of the Corporation, by its Chairman or Vice Chairman and attested by its Secretary or Assistant Secretary, or if in the name of the University, by the President or an Executive Vice President of the University or a person duly authorized by the President of the University.

Section 2. Other Instruments. Instruments other than those as to which Board approval and authorization are required by the provisions of Section 1 of this Article need not be so approved or authorized by the Board, absent a specific legal requirement, whether made in the name of the Corporation or of the University.

Such other instruments, if in the name of the Corporation, shall be approved by the Treasurer and shall be executed in the name of the Corporation by its Chairman or Vice Chairman and attested by its Secretary or Assistant Secretary; and such other instruments, if in the name of the University, shall be executed in the name of the University by the President of the University, or an Executive Vice President of the University, or a person duly authorized by the President of the University, and, when required, by Section 1 of Article VI, shall be approved by the Treasurer or a duly authorized representative.

ARTICLE VIII

Degrees

Section 1. Degrees. Upon the recommendation of the President of the University and the Faculty, the Board may confer upon students completing prescribed courses such degrees as may be deemed appropriate. The Board may further confer appropriate degrees upon the completion of work by postgraduate students or upon the completion of special advanced work by other persons under the direction and control of the University. The Board may also award honorary degrees in recognition of distinguished services within the scope of the educational objectives promoted by the University, and such degrees shall not be granted except upon the recommendation of the President of the University.

ARTICLE IX

Buildings

Section 1. Buildings. The selection and employment of architects for all buildings of the University, the adoption of plans and specifications, and details for such buildings, and awards of contracts for the same shall be by the Board of Trustees, except to the extent delegated to the Physical Facilities Committee or to officers of the Corporation by the terms of Article VII. The Treasurer may receive and review bids for all building projects, and to the extent all bids received for a project exceed the authorized project budget therefor the Treasurer is authorized to reject such bids without further action by the Board or Physical Facilities Committee. The Treasurer is authorized to delegate to one or more individuals the responsibility for receipt and review of bids.

Section 2. Naming of University Buildings. The University buildings shall be named in accordance with policies established by the Board which shall include the following:

No building, or any addition to a building, of the University shall be designated by the name of any particular person or persons except that (a) in cases where testamentary gifts have been accepted by the Board for the construction of a building or an addition to a building and the terms of the gifts require or request that a particular name shall be used, and (b) in cases where it is desired to acknowledge conspicuous services of an individual

to the University by the special designation of a building or a building addition.

All such determinations shall be made by the Board, except that the President shall be authorized to name rooms or other areas within buildings.

ARTICLE X

Conflicts of Interest

1. A Trustee shall be considered to have a conflict of interest if: (a) such Trustee has existing or potential financial or other interests which impair or might reasonably appear to impair such Trustee's independent, unbiased judgment in the discharge of his or her responsibilities to the University (which for the purposes of this Article shall include any of its subsidiaries or affiliates) or (b) such Trustee is aware that a member of his/her family (which for the purposes of this Article shall be a spouse, parents, siblings, children, and any other relative if the latter resides in the same household as the Trustee), or any organization in which such Trustee (or member of his or her family) is an officer, director, employee, member, partner, or Trustee, or has a controlling interest, or has an existing or potential financial or other interest. All Trustees shall avoid such actual or possible conflicts of interest, and disclose to the Board any possible conflict of interest at the earliest practicable time. No Trustee shall speak on any matter under consideration at a Board or Committee meeting without first disclosing the actual or possible conflict of interest; and no Trustees shall vote on any matter in which there is or could be a conflict of interest. The minutes of such meeting shall reflect that a disclosure was made and that the Trustee abstained from voting. Any Trustee who is uncertain whether a conflict of interest may exist in any matter may request the Board or Committee to resolve the question by majority vote.

2. All Trustees shall preserve and protect the confidentiality of all private and proprietary information concerning the University. Such information shall be used exclusively for the benefit of the University, and never for the benefit of the Trustee, the Trustee's family or business, or any entity or person whose interests are or might be adverse to those of the University.

ARTICLE XI

Amendments

Section 1. Amendment of Bylaws. The Bylaws may be changed or amended and additional Bylaws may be adopted at any stated meeting of the Board by a vote of seven members, provided that notice of the intention to change, amend, or add to the Bylaws, in whole or in part, shall have been given in the notice of the meeting or shall have been given at a preceding meeting of the Board.

Section 2. Suspension of Bylaws. The Bylaws or any of them may be suspended at any meeting by an affirmative vote of at least seven members of the Board, and not otherwise.

APPENDIX A

Trustee Code of Conduct

1. A Trustee shall devote time, thought and study to his or her duties as a member of the Board of Trustees of The Trustees of Purdue University.
2. A Trustee shall learn how Purdue University functions — its uniqueness, strength, and needs — and its place in post-secondary education.
3. A Trustee shall carefully prepare for, regularly attend and actively participate in the Board meetings and committee assignments.
4. A Trustee shall accept and abide by the legal and fiscal responsibilities of the Board as specified in federal and state law and the regulations, rules of procedure, policies and resolutions of the Board of Trustees.
5. A Trustee shall base his or her vote upon all information available in each situation and shall exercise his or her best judgment in making decisions which affect the course of Purdue University.
6. A Trustee shall vote according to his or her individual conviction, and may challenge the judgment of others when necessary; yet a Trustee shall be willing to support the majority decision of the Board and work with fellow Board members in a spirit of cooperation.
7. A Trustee shall maintain the confidential nature of Board deliberations in executive sessions. This includes written and verbal communication

concerning the executive sessions. The Chairman shall serve as the spokesperson for the Board. Other Trustees shall avoid acting as spokesperson for the Board unless specifically authorized to do so.

8. A Trustee shall understand the role of the Board as a policy making and oversight body and avoid active involvement in administration of that policy unless specifically authorized to do so by the Board.

9. A Trustee shall learn and consistently use designated institutional channels when conducting Board business (e.g., responding to faculty and student grievances, responding to inquiries concerning the status of a presidential search).

10. A Trustee shall comply with conflict of interest policies and requirements prescribed in the Bylaws and under state law. A Trustee shall refrain from accepting duties, incurring obligations, accepting gifts or favors, engaging in private business or professional activities when there is, or would appear to be, a conflict or incompatibility between the Trustee's private interests and the interests of Purdue University.

11. A Trustee shall refrain from actions and involvements that may prove embarrassing to Purdue University.

12. A Trustee shall act and make judgments always on the basis of what is best for Purdue University as a whole and for the advancement of higher education in general.

Procedure for Responding to Breaches of the Code of Conduct

1. Should evidence or allegations of Code of Conduct violations by a Trustee of The Trustees of Purdue University come to the attention of the Chairman of the Board, which after further review by the Chairman appears to constitute a breach of the Code of Conduct, the Chairman and the Vice Chairmen shall discuss the matter with the Trustee to obtain additional facts and perspective and to seek a mutually agreeable resolution.

2. Should the Code continue to be violated by the Trustee after discussion with the Chairman and the Vice Chairman, the Chairman shall bring information on the violation forward to the Board of Trustees in executive session. Should the Code thereafter continue to be violated, the Chairman, after

appropriate consultation, will place the matter on the agenda for appropriate action by the Board of Trustees. The Board shall discuss the matter in open session, allowing the Trustee whose conduct is at issue to provide an explanation of the conduct. The Board may then by majority vote censure the Trustee.

3. Should the Board censure the Trustee, formal notification of the censure shall be communicated to the Governor, and to any separate recommendatory or appointive authority of the Trustee, e.g., the Office of the Dean of Students or the Purdue Alumni Association.

CERTIFICATE

I, the duly elected, qualified and acting Secretary of The Trustees of Purdue University, hereby certify that as such officer I have custody of the corporate records, including the Bylaws, of The Trustees of Purdue University, and that the copy of the Bylaws to which this Certificate is attached is a full, true and complete copy of the Bylaws of The Trustees of Purdue University as amended to date, as the same appear in the original records of The Trustees of Purdue University.

Date:

Secretary
The Trustees of Purdue University

**BYLAWS OF
THE TRUSTEES
OF
PURDUE
UNIVERSITY**

As revised and amended
to November 10, 2006

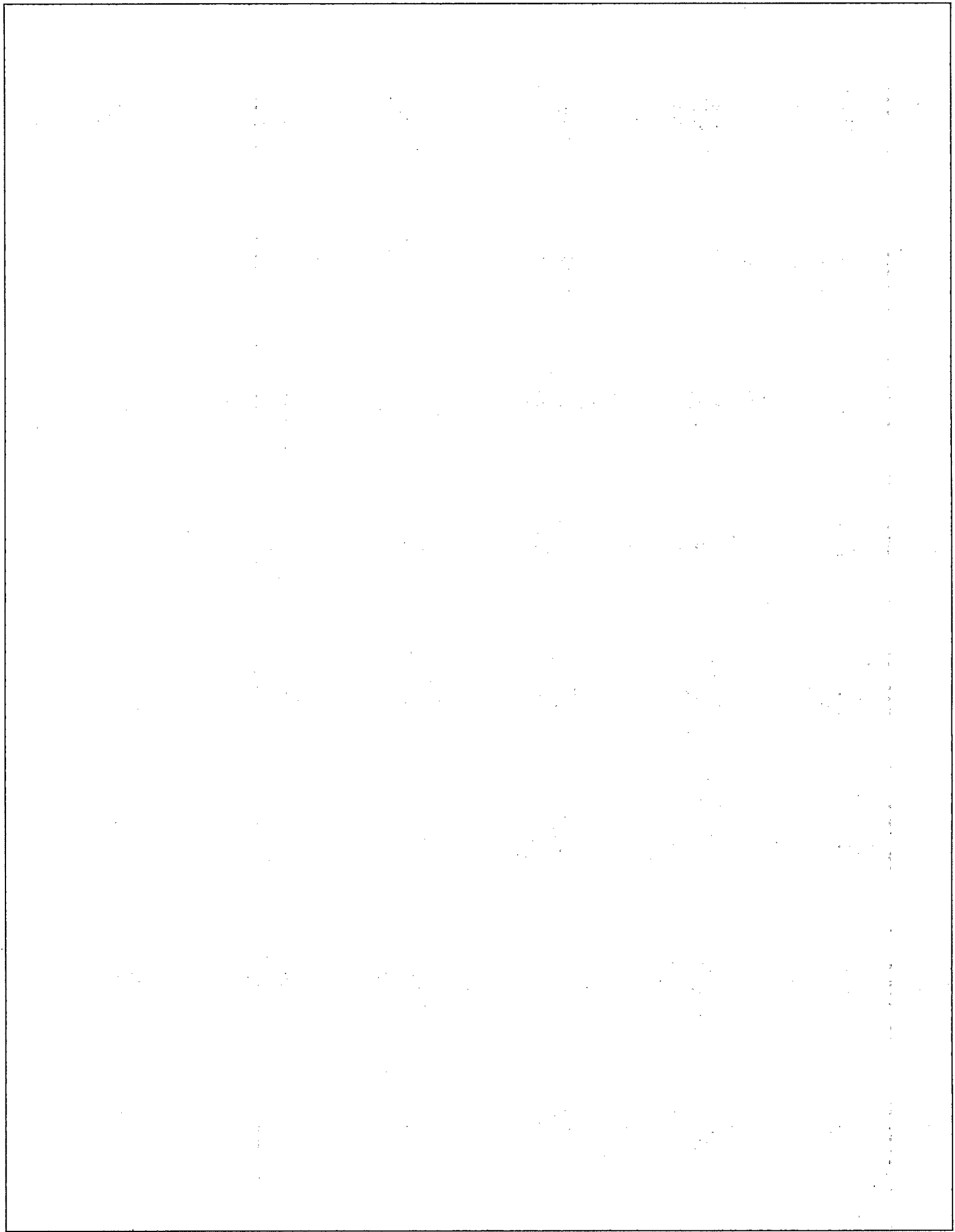
WEST LAFAYETTE, INDIANA

PURDUE
UNIVERSITY

Financial Report

2008–2009





LETTER OF TRANSMITTAL

To the Board of Trustees of Purdue University:



President France A. Córdoba

We are pleased to submit the 87th annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2009, and sets forth the complete and permanent record of the financial status of the University for the year.

The University Financial Statements have been audited by the Indiana State Board of Accounts, and the Auditors' Report appears on page 5.

Respectfully submitted,

FRANCE A. CÓRDOVA
President

Respectfully submitted,

A. V. DIAZ
*Executive Vice President for
Business and Finance,
Treasurer*

Approved for publication and transmission to the governor of the state.

REPORT OF THE TREASURER

This report presents Purdue University's financial position and the results of operations for the fiscal year ending June 30, 2009. We provide this financial report as part of the University's commitment to report annually on its fiscal affairs. These financial statements have been audited by the Indiana State Board of Accounts, whose report appears on page 5.

Purdue University, founded in 1869 and named after benefactor John Purdue, began its journey with six faculty, 39 students, and a mission to provide agricultural and mechanic arts education as one of the nation's land-grant institutions. Today, Purdue is a world-class research university, offering instruction in a wide range of disciplines and granting undergraduate and graduate degrees through four campuses. The student body across all campuses totals more than 69,000 students, who come from every county in Indiana, all 50 states, and 128 countries.

While the past fiscal year has seen difficult economic challenges, with those challenges come opportunities. Purdue has reached record enrollment across the state. More than 300 faculty are collaborating on research and on addressing the social, economic, and political issues surrounding energy and the environment. Purdue was tapped as part of the federal stimulus program to develop degrees and Indiana workforce training programs for electric vehicles. Purdue also was selected by the U.S. Department of Energy to advance work in biofuels through a \$20 million grant that will fund a new Energy Frontier Research Center. In addition, Purdue is helping Indiana business and industry become greener through services such as the Technical Assistance Program's energy efficiency services (EES) program and green specialist certificate program.

The National Science Foundation awarded \$105 million to a Purdue-led team to spearhead a center that will serve as headquarters for the operations of the George E. Brown Jr. Network for Earthquake Engineering Simulation (NEES). Purdue will connect 14 NEES research equipment sites with the earthquake engineering community through groundbreaking cyber-infrastructure, education, and outreach efforts. Purdue's center began operations in October 2009 and is housed in the University's Discovery Learning Research Center in Discovery Park.

The University completed major construction projects in excess of \$32 million during fiscal year 2009, including the \$19.8 million Wiley Dining Court food service consolidation. The new State Street Towers residence hall was completed in August 2009 and is now fully occupied. Additional capital investments estimated at more than \$600 million were under way or in design as of June 30, 2009, including the \$25 million Discovery Learning Research Center, the \$28.5 million Lilly Hall West Wing renovation, the \$99.5 million Mackey Complex Renovation and Addition, and the \$32.9 million Hockmeyer Hall of Structural Biology. Also in progress are additional residence halls at the Calumet and Fort Wayne campuses.

I wish to introduce and welcome three new trustees who began their service in July 2009, replacing J. Timothy McGinley, Susan B. Butler, and student Jill Steiner. McGinley had served as chairman for the last 16 years and was a member of the board for nearly 20 years. Our new trustees are Don Thompson, president of McDonald's USA; Michael R. Berghoff, founder of Lenex Steel in Indianapolis; and Tyler Teykl, a student from Texas.

The University continues to position itself as a leader in research, a provider of strong international leadership, and an economic engine for the state of Indiana and the United States.

A. V. DIAZ

Executive Vice President for Business and Finance, Treasurer

BOARD OF TRUSTEES

As of June 30, 2009

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees appointed by the governor. The selection of these trustees is prescribed in Indiana Code IC 21-23-3. Three of the trustees are selected by the Purdue Alumni Association. The remaining seven trustees are selected by the governor. Two of the trustees must be involved in agricultural pursuits, and one must be a full-time student of Purdue University. All trustees serve for a period of three years, except for the student member, who serves for two years.



J. Timothy McGinley
Chairman of Board
Appointed July 1993
Indianapolis, Indiana
President, House
Investments, Inc.
Term: 1989–2010



John D. Hardin Jr.
Vice Chairman
of Board
Appointed
September 2004
Danville, Indiana
Farmer
Term: 1992–2010



Michael J. Birck
Hinsdale, Illinois
Chairman and CEO,
Tellabs, Inc.
Term: 1999–2009



JoAnn Brouillette
West Lafayette,
Indiana
Managing Partner
and President,
Demeter LP
Term: 2006–2009



Susan B. Butler
Tucson, Arizona
Founder and CEO,
Susan Bulkeley
Butler Institute for
the Development of
Women Leaders
Term: 2006–2009



Keith Krach
Los Gatos, California
CEO, 3points, LLC
Term: 2007–2010



William S. Oesterle
Indianapolis, Indiana
CEO, Angie's List
Term: 2005–2011



**Mamon M.
Powers Jr.**
Gary, Indiana
President, Powers and
Sons Construction
Company, Inc.
Term: 1996–2011



**Thomas E.
Spurgeon**
Peoria, Illinois
Consultant,
Lincoln Office
Term: 2005–2011



Jill Steiner
Berne, Indiana
Student
Term: 2007–2009

OFFICERS OF THE UNIVERSITY

As of June 30, 2009

OFFICERS OF THE BOARD OF TRUSTEES

J. TIMOTHY MCGINLEY, *Chairman*
JOHN D. HARDIN JR., *Vice Chairman*
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF PURDUE UNIVERSITY, WEST LAFAYETTE, INDIANA

We have audited the accompanying basic financial statements of Purdue University, a component unit of the State of Indiana, as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. We also did not audit the trust which maintains the University's portion of trust agreements as discussed in Note 1. The University's interest in the charitable remainder trusts represents approximately .3% of the assets of the University. The financial statements of these units were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to those units, is based upon the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Purdue University, as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2009, on our consideration of Purdue University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

October 19, 2009

STATE BOARD OF ACCOUNTS
State Board of Accounts

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ending June 30, 2009

INTRODUCTION

The following discussion and analysis provides an overview of the financial position of Purdue University for the fiscal year ending June 30, 2009, the financial activities for the 2008–2009 fiscal year, and a brief description of the financial statements produced herein. This discussion should be read in conjunction with the financial statements and the notes to the statements, which immediately follow this section.

The financial information presented in this report is designed to enable the user to review how the University managed its resources to meet its primary missions of discovery, learning, and engagement.

It should be recognized that a presentation of the financial performance of the University is not a full measure of the value of the discovery, learning, and engagement functions carried out during the year. This report deals with the costs and sources of revenue used to provide the quality and diversity in higher education that the University believes necessary to meet its goals and objectives.

PURDUE UNIVERSITY FINANCIAL STATEMENTS

Use of the Financial Statements

The primary purpose of financial reporting, whether for a commercial enterprise or for a university, is to provide information that will assist (1) management in the effective allocation and use of the organization's resources and (2) the general public, investors, creditors, and others in evaluating the effectiveness of management in achieving organizational objectives. The nature of the organization, its resources, and its objectives all serve to influence the form and process by which the accounting is accomplished and information reported.

The main goal of a college or university is to provide services that fulfill societal needs without regard for financial gain. Resources are consumed to attain service objectives rather than to make a profit. The accounting and reporting process must, therefore, address itself to accounting for resources received, used, and held rather than determining net income.

The Statement of Net Assets provides a summary view of the assets, liabilities, and net assets of the University. The Statement of Revenues, Expenses, and Changes in Net Assets, on the other hand, summarizes the yearlong financial activities that caused the changes in year-end net assets on the Statement of Net Assets. Likewise, the Statement of Cash Flows reconciles the beginning and ending balances of cash and cash equivalents and articulates sources and uses of cash. The Statement of Net Assets classifies assets and liabilities as either current or noncurrent. Current assets are available to meet the needs of the University in the short term. Similarly, current liabilities are due and payable within the next fiscal year.

Statement of Net Assets

Current assets include those that may be used to support current operations, such as cash and cash equivalents, accounts and pledges receivable, and inventories. Noncurrent assets include capital assets, certain pledges receivable, and investments. Total assets were \$4.04 billion as of June 30, 2009, compared to \$3.96 billion at June 30, 2008, an increase of \$79.7 million or 2.0%. Current assets as of June 30, 2009, increased \$100.2 million, while noncurrent assets decreased \$20.5 million, or 0.6%.

Figure 1 depicts the portion of total assets that were capital.

Cash and cash equivalents increased \$101.6 million to \$511.3 million. Included, however, are \$137.9 million in Security Lending assets and \$188.9 million in invested bond proceeds. The remaining \$184.5 million is available for operations as of June 30, 2009, versus \$236.8 million for the prior year. Invested bond proceeds increased \$141.4 million over the prior year due to new bonds issued during the year for construction projects.

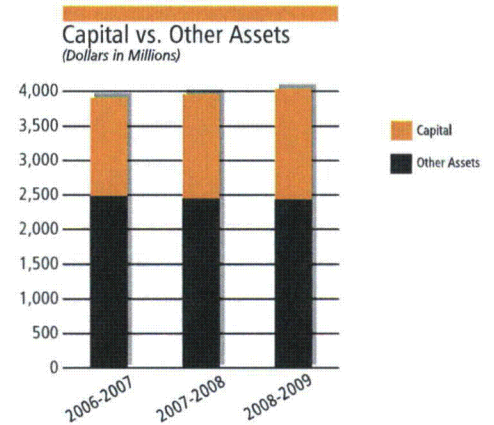
Total Pledges Receivable increased \$1.3 million from \$63.2 million at June 30, 2008, to \$64.5 million at June 30, 2009. The mix between Current and Noncurrent Pledges Receivable shifted as \$16.7 million of existing pledges are now due within the next fiscal year and there has been a decrease in the amount of longer-term pledges. Noncurrent Pledges Receivable decreased \$13.5 million from the prior year, while Current Pledges Receivable increased \$14.8 million.

The state of Indiana paid its remaining \$8.6 million due from the June 2005 appropriation. The funds, however, were restricted to repair and rehabilitation and were not available for general institutional or operating purposes.

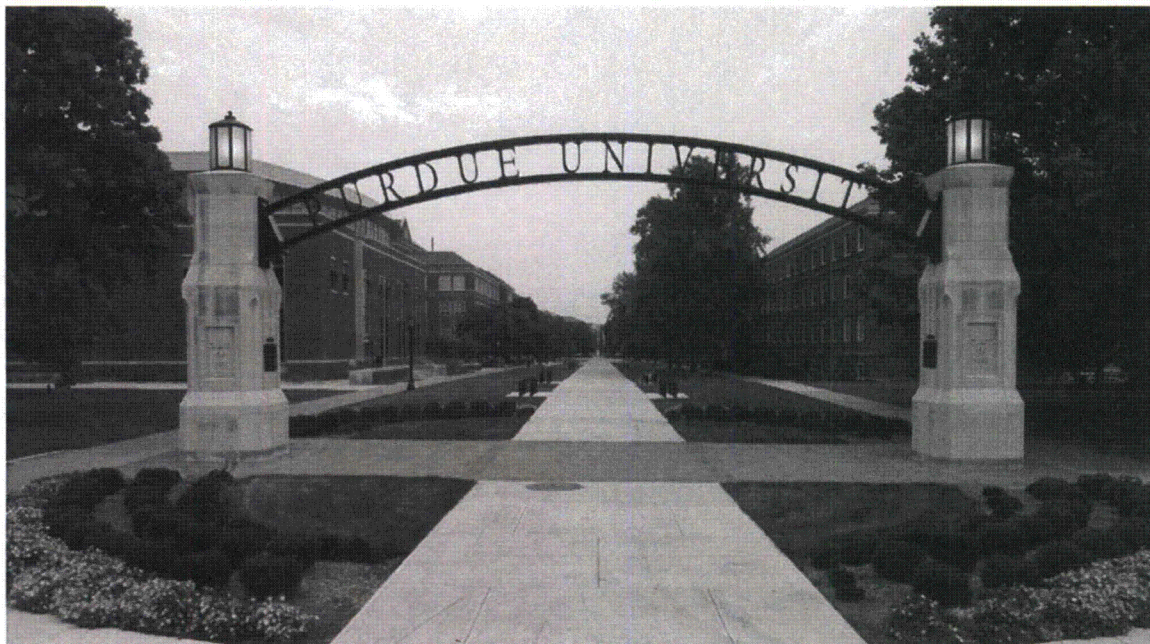
Marketable securities and other investments decreased \$108.8 million from the previous year. This was the result of a deteriorating economy and related market instability in 2008–2009 and their impact on the University’s endowment-related assets. Please reference a more detailed discussion in the “Statement of Revenues, Expenses, and Changes in Net Assets” section on page 11.

Current liabilities are generally expected to become due and payable over the course of the following fiscal year. These include accounts and other payables, deferred revenues, the current portion of long-term debt, liability for securities-lending activity, and salaries and related compensation payables. Current liabilities include variable-rate demand bonds, although most of the bonds are expected to be

Figure 1



“Gateway to the Future” arch



paid in future fiscal years. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were \$1.225 billion on June 30, 2009, and \$997.6 million on June 30, 2008. Figure 2 depicts the portion of long-term debt (noncurrent) relative to total liabilities.

Accrued expenses increased by \$11.8 million, primarily due to the change in medical plan-related liabilities (incurred but not paid) that followed the change from an insured to a self-funded plan for one of the University's insurance providers on January 1, 2009.

Securities lending liabilities increased \$12.5 million from the prior year. For a detailed discussion of the University's security lending program, please refer to Note 4 on page 31.

Bonds, leases, and notes payable increased \$188 million from the prior year. During September 2008, \$77.6 million of variable-rate demand bonds were put back to the institution, but all put bonds were subsequently remarketed by October 2, 2008. This was a result of the turmoil in the bond markets and the bankruptcy of one of the University's remarketers. A discussion of the University's capital financing activities appears in the "Debt and Financing Activities" section on page 10, as well as in the notes to the financial statements.

Net assets are classified into four categories: invested in capital assets, net of related debt; restricted–nonexpendable; restricted–expendable; and unrestricted. "Invested in capital assets, net of related debt" represents the University's investment in capital assets such as movable equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt, subject to the University's policies on capitalization. "Restricted–nonexpendable" represents the University's permanent endowment funds received from donors for the purpose of creating present and future income. These funds must be held inviolate and in perpetuity and are, therefore, not expendable. Earnings on these funds support various programs determined by donors. "Restricted–expendable" represents net assets that have purpose restrictions imposed by third parties. Examples include scholarship funds and contract and grant funds. Unrestricted net assets do not have third-party restrictions, although management has designated these funds for a particular purpose. It is management's practice to designate unrestricted net assets for specific purposes at the close of each fiscal year. Total net assets for the University were \$2.81 billion as of June 30, 2009. Figure 3 details the composition of net assets and includes a comparison between fiscal years.

Invested in capital assets, net of related debt increased \$51.2 million, or 5.6%. The University added capital assets of \$186.3 million and related accumulated depreciation of \$90.4 million, less disposals. Debt transferred related to expended bond and commercial paper proceeds, net of payments and amortization of bond premiums, accounted for \$44.7 million.

Figure 2

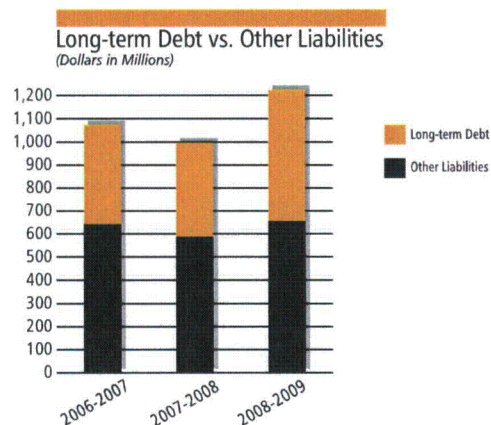
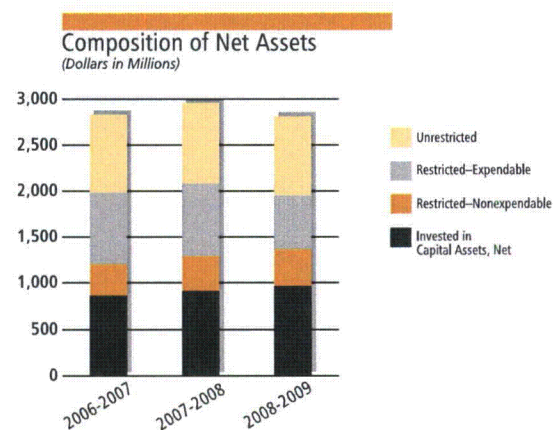


Figure 3



Restricted nonexpendable increased \$22.7 million, or 6.0%, related to permanent gifts to endowments received, which were offset by decreases related to market conditions for interest in charitable remainder trusts.

Restricted expendable decreased \$206.5 million, or 26.1%. This was driven by the equity markets over the past year related to the endowment pool investments. Unrestricted net assets declined \$15.2 million, or 1.7%, which also was related to a decline in unrestricted pooled endowment investments. Overall, net assets declined \$147.8 million, or 5.0%.

A summarized comparison of the University's assets, liabilities, and net assets appears in Table 1.

Table 1. Summary Statement of Net Assets (Dollars in Thousands)

	2006–2007	2007–2008	2008–2009
Current Assets	\$681,386	\$605,607	\$705,765
Capital Assets	1,423,291	1,510,794	1,606,709
Other Assets	1,805,246	1,842,966	1,726,551
Total Assets	\$3,909,923	\$3,959,367	\$4,039,025
Current Liabilities	\$597,753	\$525,267	\$588,689
Noncurrent Liabilities	477,578	472,309	636,353
Total Liabilities	\$1,075,331	\$997,576	\$1,225,042
Invested in Capital Assets, Net of Related Debt	\$863,282	\$913,478	\$964,652
Restricted–Nonexpendable	335,904	375,364	398,025
Restricted–Expendable	785,084	790,562	584,106
Unrestricted	850,322	882,387	867,200
Total Net Assets	\$2,834,592	\$2,961,791	\$2,813,983

Major Construction Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. Significant projects completed during the 2008–2009 fiscal year are listed in Table 2.

Table 2. Major Projects Completed during the 2008–2009 Fiscal Year (More than \$2 million)

	Project Total (Dollars in Thousands)
Patty Jischke Early Care & Education Center (Child Care Center)	\$3,000
Harrison Street Aerial Line Relocation	2,500
Purdue Village Community Center	3,820
Residence Halls Food Service Consolidation, Phase IV	19,800
Stewart Center Fourth Floor Renovation for Library	3,600
Total Major Projects Completed	\$32,720



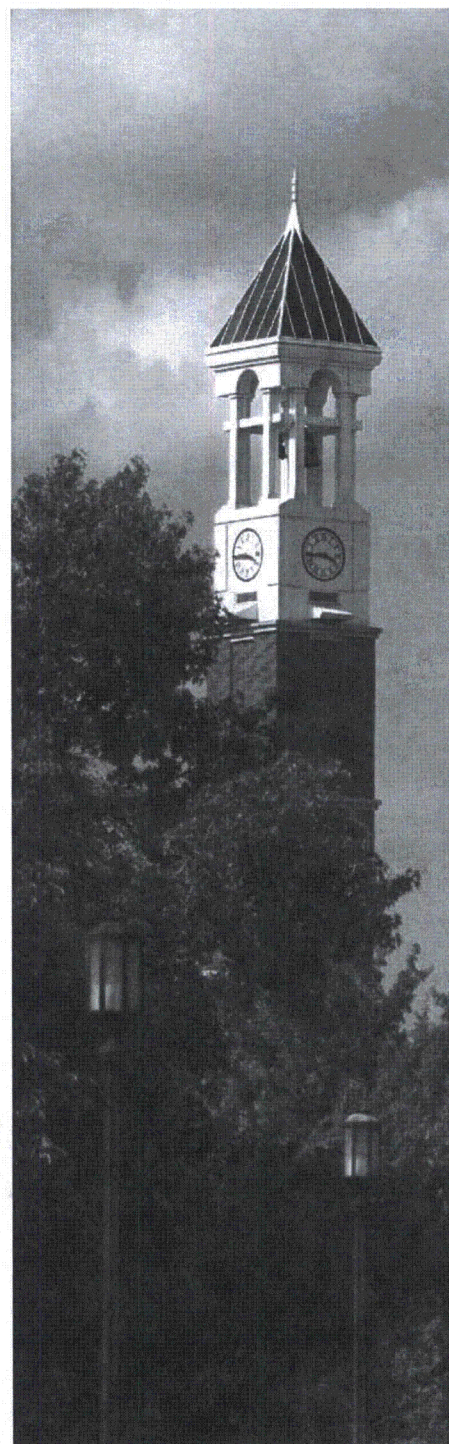
**Table 3. Major Construction Projects in Progress
(More than \$2 million)**

	Project Total (Dollars in Thousands)
Boiler No. 6	\$53,000
Calumet–Student Housing Phase II	21,100
Campus-Wide Tunnel Repair & Waterproofing–Phase I	2,000
Discovery Learning Research Center	25,000
Discovery Park Site Development Phase VI	2,400
Energy Perf Contract–Brown, Stewart Center, & Civil Engineering	4,504
Fort Wayne Energy Management Performance	2,454
Fort Wayne Student Housing Phase III	38,000
Fort Wayne Student Services & Library Complex	42,400
Gatewood Wing–Mechanical Engineering Building	34,500
Harrison Hall Sprinkler System and AC Renovation	11,500
High Voltage Improvement Phase II	25,100
Hillenbrand Residence Hall Dining Court Renovation	3,200
Hockmeyer Hall of Structural Biology	32,900
Krannert Building Basement & 3rd Floor Renovation	3,500
Lilly Hall West Wing Renovations	28,550
Mackey Complex Renovation & Addition	99,500
McCutcheon Hall Fire Protection and Air Conditioning	11,207
Niswonger Aviation Technology Building	7,800
Replacement Student Housing (First Street Towers)	52,000
Wade Utility MACT Compliance	9,000
Wetherill Laboratory of Chemistry Electrical Upgrade	2,000
Wetherill Air Handler Units Replacement	12,000
Windsor Residence Halls Renovation	53,000
Young Hall Exterior Recladding	6,000
Young Hall Floors 9 and 10 Renovation	4,455
Total Major Projects in Progress	\$587,070

In addition, the University’s Board of Trustees has authorized the following major projects that had not been started as of June 30, 2009, and may not have state approval.

Table 4. Major Projects Authorized but Not Started

	Project Budget (Dollars in Thousands)
Bill & Sally Hanley Hall–Human Development	\$11,500
Calumet–Powers Building Infrastructure Upgrade	3,260
Total Major Projects Authorized–Not Started	\$14,760



DEBT AND FINANCING ACTIVITIES

Bonds, Leases, and Notes (Net) obligations totaled \$831.1 million as of June 30, 2009, up from \$643.1 the prior year. These obligations are nearly 68% of the total liabilities of the institution. The University’s debt portfolio as of June 30, 2009, consisted of \$231.1 million of variable-rate instruments, or 27.8%, compared to \$600 million in fixed-rate obligations. The University continues to

maintain its excellent credit ratings by Moody's Investors Service (Aa1) and by Standard & Poor's (AA). Purdue University is one of only nine public higher education institutions whose Moody's credit rating is Aa1 or better (Aaa). In addition, the University's variable-rate debt received short-term ratings by Moody's of VMIG-1 and by Standard & Poor's of A-1+. A brief discussion of major debt issued during the past fiscal year follows below.

On January 22, 2009, the University issued Student Facilities System Revenue Bonds Series 2009A for \$35.0 million with a \$0.6 million net original issue premium. This series was issued to finance the costs for the remaining portion of the new student housing facility, First Street Towers, on the West Lafayette campus (\$3.4 million); the renovation of Windsor Residence Halls (\$8.7 million); Calumet Student Housing Phase II (\$16.8 million); and for refunding a portion of outstanding commercial paper (\$6.4 million) plus costs of issuance (\$0.3 million).

On May 21, 2009, Student Facilities System Revenue Bonds Series 2009B were issued in the amount of \$41.5 million with a \$2.2 million net original issue premium. This series was issued to finance the costs of the Student Housing Phase III project on the Fort Wayne campus (\$31.7 million), the continued renovation of Windsor Residence Halls (\$8.8 million), and for refunding a portion of outstanding commercial paper (\$2.9 million) plus costs of issuance (\$0.3 million).

On April 9, 2009, Student Fee Bonds Series X were issued in the amount of \$106.9 million with a \$7.1 million net original issue premium. This series was issued to finance the replacement of a boiler in the Wade Utility Plant (\$53.1 million), addition of the Roger B. Gatewood wing in the Mechanical Engineering Building (\$16.4 million), Student Services and Library Complex on the Fort Wayne campus (\$32.7 million), repair and rehabilitation projects on the West Lafayette campus (\$5.3 million), and for refunding a portion of outstanding commercial paper (\$5.8 million) plus costs of issuance (\$0.7 million).

On April 1, 2008, a commercial paper agreement was negotiated with Goldman, Sachs & Company. This agreement authorized a maximum borrowing of \$50 million. The balance outstanding as of June 30, 2009, was \$34.4 million. During the 2008–2009 fiscal year, \$32 million of commercial paper was issued to fund the renovation of the east wing of Lilly Hall and to repair and rehabilitate electrical and air handling in the Wetherill Laboratory of Chemistry.

Figure 4 compares the composition of long-term debt (noncurrent portion) by fiscal year.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets provides information regarding how the results of operations, nonoperating revenues, and capital funding over the course of the fiscal year affected the net assets of the University. A summarized comparison of the University's revenues, expenses, and changes in net assets follows in Table 5.

Revenues are classified as either operating or nonoperating. Operating revenues include tuition and fees, grants and contracts, auxiliary enterprises, and sales and services. Tuition and fees and housing are shown net of an allowance for scholarships. If scholarships awarded to students exceed the amount owed for tuition and housing, the amounts paid to students are shown

Figure 4

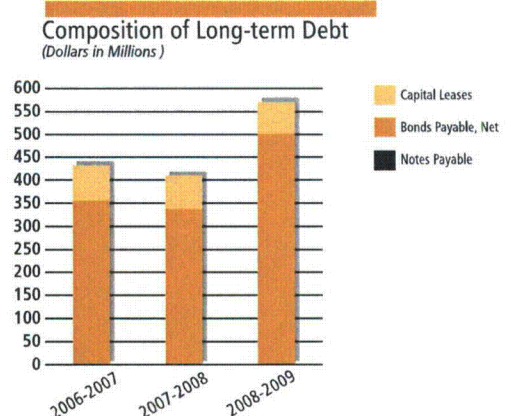


Table 5. Summary Statement of Revenues, Expenses, and Changes in Net Assets (Dollars in Thousands)

	2006-2007	2007-2008	2008-2009
Operating Revenues			
Tuition and Fees, Net	\$492,122	\$525,791	\$574,094
Grants and Contracts	251,714	278,481	285,347
Auxiliary Enterprises, Net	190,732	211,676	213,044
Other Operating Revenues	77,186	90,472	84,013
Total Operating Revenues	\$1,011,754	\$1,106,420	\$1,156,498
Operating Expenses			
Depreciation	97,708	106,652	112,244
Operating Expense	1,361,592	1,489,407	1,568,414
Total Operating Expenses	\$1,459,300	\$1,596,059	\$1,680,658
Operating Loss	(\$447,546)	(\$489,639)	(\$524,160)
Nonoperating Revenue	667,866	531,490	348,409
Capital and Endowments	81,723	85,348	27,943
Total Nonoperating Revenues	\$749,589	\$616,838	\$376,352
Increase in Net Assets	\$302,043	\$127,199	(\$147,808)
Net Assets, Beginning of Year	2,532,549	2,834,592	2,961,791
Net Assets, End of Year	\$2,834,592	\$2,961,791	\$2,813,983

as expenses. Nonoperating revenues include state appropriations, investment income, and private gifts. Because Purdue is a public university, nonoperating revenues are an integral part of its operating budget. Private gifts for capital projects and additions to the University’s permanent endowment also are considered nonoperating sources of revenue but are not part of the University’s operating budget. Figure 5 provides information about the University’s sources of revenues, excluding endowments and capital, for the 2008–2009 fiscal year. Overall, the University had a net decrease in its net assets of \$147.8 million. Discussion of the major impacts to net assets and operations are outlined below.

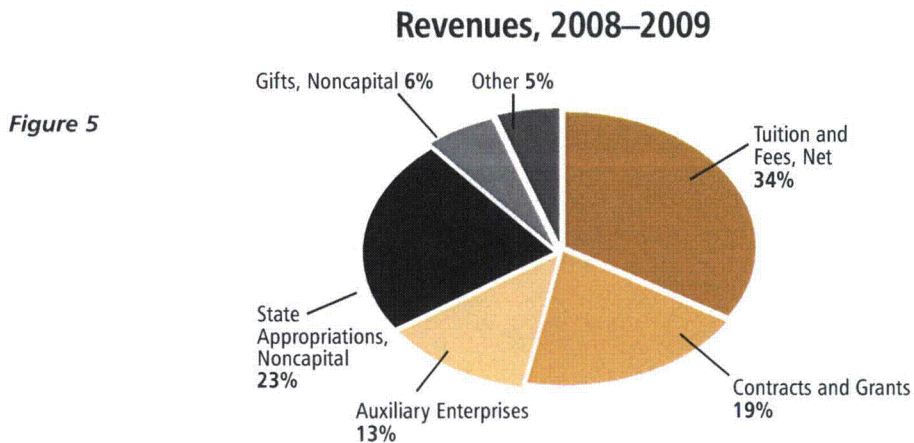


Figure 5

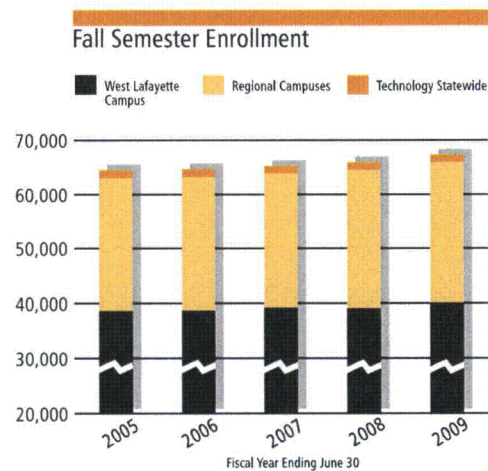
Total operating revenues increased \$50.1 million, or 4.5%, to \$1.16 billion over the previous year. Net tuition and fee revenue increased \$48.3 million, or 9.2%, over the previous year. This was the result of a student fee rate increase and record enrollment at the West Lafayette campus. Enrollment at all campuses for 2008–2009 increased by 1,368 students. West Lafayette’s enrollment increased 988 students. Enrollment patterns for the past five years are illustrated in Figure 6.

The University also changed its accounting method for measuring scholarship allowance due to a new student system implementation at the West Lafayette campus that impacted the way net tuition revenue is reported. This change does not have an impact on total institutional financial aid. Grant and contract revenue increased \$6.8 million, or 2.4%, due to increased research activity at the West Lafayette campus.

Total operating expenses increased \$84.6 million, or 5.3%, from \$1.60 billion for the 2007–2008 fiscal year to \$1.68 billion for the 2008–2009 fiscal year. Compensation and benefits, which makes up nearly 67% of operating expenses, increased \$59.1 million. While salary and wages only increased 3.2%, related benefits increased 12.2% due to increased medical claims and benefits, retirement contributions, and the amortization of the other post-employment benefits obligation. Due to the fiscal measures undertaken at the University as a result of the severe recession, supplies and other services only increased 0.2%.

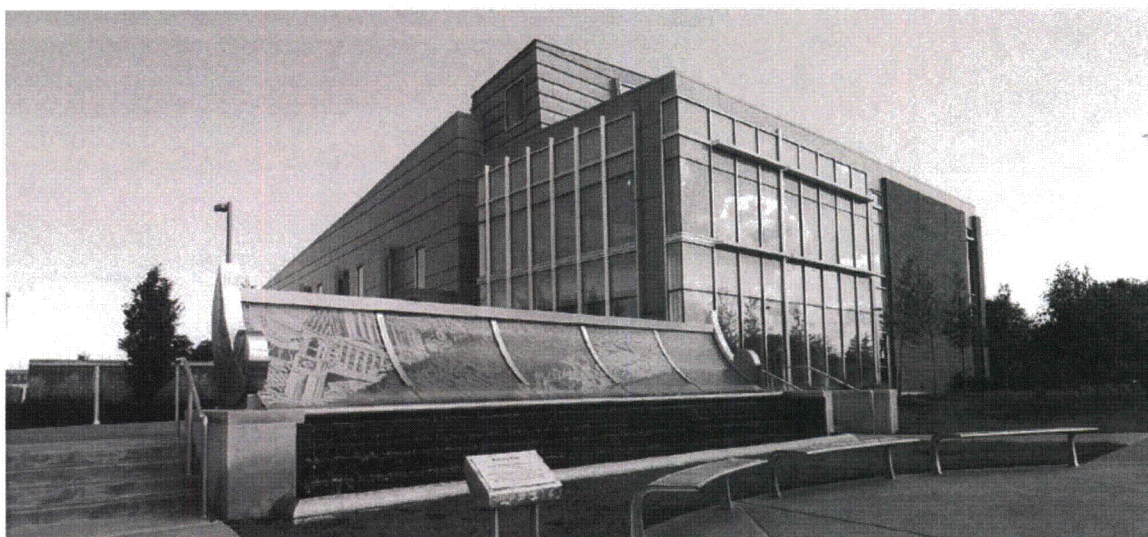
The University increased total financial aid (Scholarships, Fellowships and Awards, and Scholarship Allowances) to its students by nearly \$16 million, or 14.7%, over the previous year. In its quest to increase academic excellence by attracting the best and brightest students in Indiana and the United States, the University offered Presidential and Trustee Scholarships to high school students achieving high academic standards and SAT/ACT scores. The Trustees scholarship (\$8,000 for in-state and \$10,000 for out-of-state) was awarded to 760 students (367 from Indiana) for a total of \$6.9 million. The Presidential Scholarship (\$5,000 for in-state and \$7,000 for out-of-state) was awarded to 609 students (358 from Indiana) for a total of \$3.5 million. In addition, there was an increase of \$5.5 million in Pell Grants awarded from the prior year.

Figure 6. Five-Year Enrollment Data*



* Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus.

McGinley Plaza at Discovery Park



Nonoperating revenues (expenses) decreased \$183.1 million, or 34.4%, from \$531.5 million in the 2007–2008 fiscal year to \$348.4 million in the 2008–2009 fiscal year. While state appropriations, federal government financial aid, and private gifts increased, investment income declined \$209.2 million. Although negative results are disappointing, the University’s endowment decreased 20.6%, compared to a decline of 26.2% for the broader market as measured by the S&P 500 index for the fiscal year ending June 30, 2009. The University’s endowment was invested 43% in public equities, 20% in fixed income, and 37% in private investments. It should be noted that due to its internal controls over investing, the University did not experience any losses as a result of fraudulent money managers. The University distributed \$83.8 million from its cash pool income and endowments in support of operations.

Capital and endowment income declined \$57.4 million, or 67.3%, over the previous year from \$85.3 million in the 2007–2008 fiscal year to \$27.9 million in the 2008–2009 fiscal year. The University did not receive its scheduled \$9.9 million in capital appropriations from the state of Indiana. Capital gifts decreased \$15.7 million and private gifts for endowments declined \$19.9 million over the previous fiscal year. This was a result of economic conditions and a slowdown in the number of capital projects requiring donations.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents sources and uses of cash and cash equivalents throughout the fiscal year. These activities are presented in four categories: operating, noncapital financing, investing, and capital and related financing. Net increases or decreases in cash and cash equivalents provide a reconciliation to beginning and ending balances as presented in the Statement of Net Assets. This statement also indicates the extent to which operating activities provided or used cash. Table 6 provides a summarized comparison of the University’s sources, uses, and changes in cash and cash equivalents.

Table 6. Summarized Comparison of Changes in Cash and Cash Equivalents (Dollars in Thousands)

	2006-2007	2007-2008	2008-2009
Cash Used by Operating Activities	(\$373,899)	(\$379,971)	(\$377,861)
Cash Provided by Noncapital Financing Activities	534,389	546,414	545,349
Cash Provided (Used) by Investing Activities	10,731	(74,369)	(43,355)
Cash Used by Capital and Related Financing Activities	(122,703)	(139,582)	(22,485)
Net Increase (Decrease) in Cash and Cash Equivalents	\$48,518	(\$47,508)	\$101,648
Cash and Cash Equivalents, Beginning of Year	408,650	457,168	409,660
Cash and Cash Equivalents, End of Year	\$457,168	\$409,660	\$511,308

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

State operating appropriations to the University were cut \$3.7 million, or 1.0%, in fiscal year 2009 and the state also did not appropriate \$9.9 million of scheduled repair and rehabilitation funds. This was due to the severe economic recession and its impact on state revenues. Those conditions were amplified when the state for the 2009–2011 biennium cut operating appropriations by approximately \$21 million, or 8.0%, at the West Lafayette campus and did not appropriate funding for repair and rehabilitation projects for all campuses. However, due to the America Recovery and Reinvestment Act (ARRA), those cuts were backfilled on a one-time basis, including an additional \$14.9 million for re-

pair and rehabilitation. The University is expected to receive those funds over the next two fiscal years. Also as a result of the ARRA, through September 4, 2009, the University has been awarded \$46.2 million in federal research and construction grants and contracts. On September 9 under the ARRA, the University issued \$42.795 million of taxable Certificates of Participation Series 2009B and will receive a 35% interest expense credit annually from the federal government.

The University set fees for the 2009–2011 biennium that resulted in a 5.0% increase for Indiana residents and 6.0% increase for nonresident students at the West Lafayette campus each of the next two years. There also was a \$500 fee per academic year added for new West Lafayette students, tied to strategic plan improvements for academic programs, financial aid, and student success programs, and to attracting and retaining top faculty. First-time Indiana undergraduate students have had this fee rebated for fiscal year 2009–2010 using the stimulus funding provided to Purdue by the Indiana General Assembly. Students enrolled prior to the summer of 2009 will not be assessed the fee. The University will rebate \$250 for fiscal year 2010–2011 to resident undergraduate students. Federal stimulus dollars will cover the cost of the rebate.

Enrollment reached an all-time high of 69,355 at all Purdue campuses for the fall semester of the 2009–2010 academic year — up from 67,355* the previous year. Enrollment at the West Lafayette campus was 39,697, a decline of 393 students. The academic quality of the freshman class at the West Lafayette campus increased for the fourth consecutive year. Cumulative SAT scores increased 11 points and are 24 points better than the class that came to Purdue two years ago. Total enrollment for the class was 6,171 students, down from 7,063 the previous year. Nearly 10,000 Indiana residents applied for freshman admission to the West Lafayette campus and all but 200 were offered admission within the Purdue system, whether in West Lafayette or at one of the regional campuses.

The University is positioned to maintain its strong financial position into the future.

Particular attention should be given to the “Notes to the Financial Statements” that are an integral part of the financial statements.

* Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus.

Hockmeyer Hall of Structural Biology



STATEMENT OF NET ASSETS

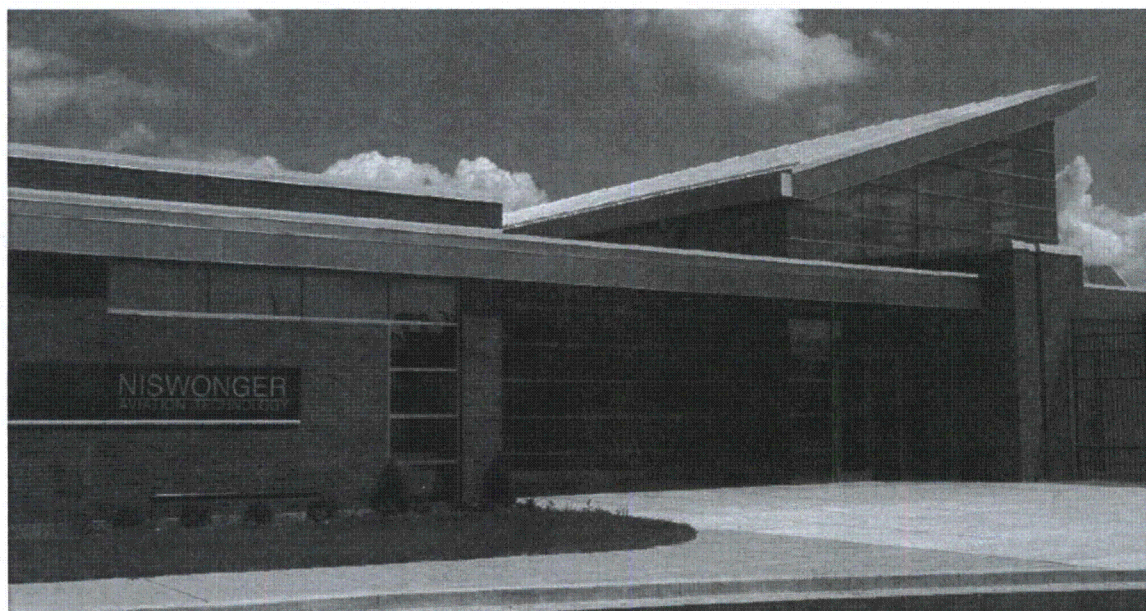
	As of June 30	
	2009	2008
	(Dollars in Thousands)	
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$511,308	\$409,660
Accounts Receivable, Net of Allowance for Uncollectible Amounts	59,980	61,615
Marketable Securities	52,929	63,492
Pledges Receivable, Net of Allowance for Uncollectible Amounts	37,421	22,586
Notes Receivable, Net of Allowance for Uncollectible Amounts	7,879	8,214
Accrued Revenues	15,977	15,014
Appropriation Receivable from the State		8,603
Other Assets	20,271	16,423
Total Current Assets	\$705,765	\$605,607
Noncurrent Assets:		
Notes Receivable, Net of Allowance for Uncollectible Amounts	\$46,009	\$45,532
Pledges Receivable, Net of Allowance for Uncollectible Amounts	27,113	40,617
Marketable Securities and Other Investments	1,641,030	1,739,307
Interest in Charitable Remainder Trusts	12,399	17,510
Capital Assets, Net of Accumulated Depreciation	1,606,709	1,510,794
Total Noncurrent Assets	3,333,260	3,353,760
Total Assets	\$4,039,025	\$3,959,367
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$54,727	\$46,413
Accrued Salary and Wages	12,189	10,809
Accrued Compensated Absences (Current Portion)	24,658	24,644
Deferred Revenue	40,117	41,983
Deposits Held in Custody for Others	25,000	22,576
Accrued Expenses	33,080	21,275
Securities Lending Liability	137,937	125,391
Bonds (Net), Leases, and Notes Payable (Current Portion)	260,981	232,176
Total Current Liabilities	\$588,689	\$525,267

STATEMENT OF NET ASSETS (CONTINUED)

	As of June 30	
	2009	2008
	(Dollars in Thousands)	
Noncurrent Liabilities:		
Accrued Compensated Absences (Less Current Portion)	\$28,464	\$27,653
Other Post-Employment Benefits	12,138	6,134
Funds Held in Trust for Others	5,743	7,556
Bonds (Net), Leases, and Notes Payable (Less Current Portion)	570,090	410,914
Advances from Federal Government	19,918	20,052
Total Noncurrent Liabilities	636,353	472,309
Total Liabilities	\$1,225,042	\$997,576
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$964,652	\$913,478
Restricted		
Nonexpendable		
Instruction and Research	211,648	197,569
Student Aid	162,723	149,752
Other	23,654	28,043
Total Nonexpendable	\$398,025	\$375,364
Expendable		
Instruction, Research, and Public Service	\$155,851	\$139,512
Student Aid	64,208	58,990
Auxiliary Enterprises	3,799	4,584
Construction	68,832	96,893
Other (Note 1)	291,416	490,583
Total Expendable	\$584,106	\$790,562
Unrestricted	867,200	882,387
Total Net Assets	\$2,813,983	\$2,961,791

See Accompanying "Notes to the Financial Statements."

Niswonger Aviation Technology Building



COMPONENT UNIT

Statement of Financial Position

Purdue Research Foundation
Statement Reported as of June 30, 2009
(Dollars in Thousands)

ASSETS:

Cash and Cash Equivalents	\$19,670
Accounts and Other Receivables	18,474
Pledges Receivable	956
Investments in Securities	587,987
Notes Receivable	493
Investment in Affiliates	10,971
Real Estate	158,410
Less Accumulated Depreciation	(25,720)
Net Real Estate	\$132,690
Other Assets and Equipment	\$11,622
Less Accumulated Depreciation	(5,389)
Net Other Assets and Equipment	\$6,233
Interest in Charitable Remainder Trusts	\$20,496
Interest in Charitable Perpetual Trusts	12,832
Total Assets	\$810,802

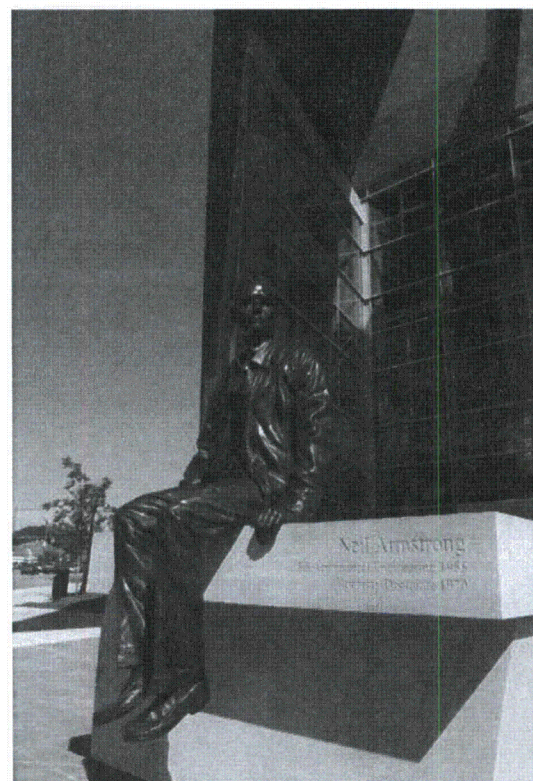
LIABILITIES AND NET ASSETS:

Accounts Payable	\$15,948
Net Funds Held as Custodian	44,959
Bonds Payable	79,845
Mortgages and Notes Payable	5,746
Gift Annuity Payable	2,684
Other Liabilities	4,490
Total Liabilities	\$153,672

NET ASSETS:

Unrestricted	\$100,171
Board Designated	3,750
Temporarily Restricted	488,028
Permanently Restricted	113,830
Unrealized Losses	(48,649)
Total Net Assets	\$657,130
Total Liabilities and Net Assets	\$810,802

See Note 1.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	For the Year Ending June 30	
	2009	2008
	(Dollars in Thousands)	
Operating Revenues		
Tuition and Fees	\$641,327	\$596,019
Less: Scholarship Allowance	(67,233)	(70,228)
Net Tuition and Fees (Pledged for Repayment of Student Fee Bonds)	\$574,094	\$525,791
Federal Appropriations	14,464	16,901
County Appropriations	9,486	7,862
Grants and Contracts	285,347	278,481
Sales and Services	56,598	60,568
Auxiliary Enterprises		
(Net of Scholarship Allowance of \$9,438 and \$8,133 Respectively)	213,044	211,676
Other Operating Revenues	3,465	5,141
Total Operating Revenues	\$1,156,498	\$1,106,420
Operating Expenses		
Compensation and Benefits	\$1,119,862	\$1,060,743
Supplies and Services	391,221	390,310
Depreciation Expense	112,244	106,652
Scholarships, Fellowships, and Student Awards	57,331	38,354
Total Operating Expenses	\$1,680,658	\$1,596,059
Net Operating Loss	(524,160)	(489,639)
Nonoperating Revenues (Expenses)		
State Appropriations	\$393,250	\$377,004
Grants and Contracts	42,978	37,567
Private Gifts	99,395	90,063
Investment Income (Loss)	(169,206)	39,989
Interest Expense	(22,412)	(22,853)
Other Nonoperating Revenues, Net	4,404	9,720
Total Nonoperating Revenues before Capital and Endowments	\$348,409	\$531,490
Capital and Endowments		
State Capital Appropriations		\$18,889
Capital Gifts	12,190	27,882
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	18,138	38,059
Plant Assets Retired and Insurance Recoveries	(2,385)	518
Total Capital and Endowments	\$27,943	\$85,348
Total Nonoperating Revenues	376,352	616,838
INCREASE (DECREASE) IN NET ASSETS	\$(147,808)	\$127,199
Net Assets, Beginning of Year	2,961,791	2,834,592
Net Assets, End of Year	\$2,813,983	\$2,961,791

See Accompanying "Notes to the Financial Statements."

COMPONENT UNIT

STATEMENT OF ACTIVITIES

Purdue Research Foundation
For the Year Ending June 30, 2009
(Dollars in Thousands)

Revenue and Support	
Amount Received for Purdue University Research Projects	\$13,213
Less Payments to Purdue University	(13,213)
<hr/>	
Administrative Fee on Research Projects	
Contributions	\$14,460
Income on Investments	16,577
Net Unrealized and Realized Losses	(163,214)
Change in Gift Annuities	465
Revenue from Pledges	143
Decrease in Interests in Charitable Trusts	(14,128)
Rents	8,724
Royalties	3,959
Other	4,236
Funded Endowed Chairs	
Net Assets Released from Restrictions	
Total Revenue and Support	(\$128,778)
<hr/>	
Expenses and Losses	
Expenses for the Benefit of Purdue University	
Contributions to Purdue University	\$17,899
Patent and Royalty	3,873
Grants	11,014
Services for Purdue University	3,187
Development Office	751
Other	2,598
Total Expenses for the Benefit of Purdue University	\$39,322
<hr/>	
Administrative and Other Expenses	
Salaries and Benefits	\$8,715
Property Management	6,031
Professional Fees	3,549
Supplies	519
Interest	4,288
Research Park	616
Other	5,403
Total Administrative and Other Expenses	\$29,121
<hr/>	
Change in Net Assets	\$(197,221)
Net Assets, Beginning of Period	854,351
Net Assets, End of Period	\$657,130

See Note 1.

STATEMENT OF CASH FLOWS

	For the Year Ending June 30	
	2009	2008
	(Dollars in Thousands)	
Cash Flows by Operating Activities		
Tuition and Fees, Net of Scholarship Allowances	\$567,491	\$524,439
Federal Appropriations	14,464	16,901
County Appropriations	9,486	7,862
Grants and Contracts	288,203	274,561
Sales and Services	59,682	59,908
Auxiliary Enterprises, Net of Scholarship Allowances	213,055	207,832
Other Operating Revenues	12,110	6,526
Compensation and Benefits	(1,101,248)	(1,046,001)
Supplies and Services	(382,404)	(391,502)
Scholarships, Fellowships, and Student Awards	(57,331)	(38,354)
Student Loans Issued	(7,773)	(9,659)
Student Loans Collected	6,404	7,516
Cash Used by Operating Activities	\$(377,861)	\$(379,971)
Cash Flows by Noncapital Financing Activities		
State Appropriations	\$401,853	\$385,599
Grants and Contracts	42,978	37,567
Gifts for Other than Capital Purposes	100,369	117,215
Funds Held in Trust for Others	(4,587)	(3,274)
Other Nonoperating Revenues, Net	4,736	9,307
Cash Provided by Noncapital Financing Activities	\$545,349	\$546,414
Cash Flows by Investing Activities		
Purchases of Investments	\$(7,497,963)	\$(14,318,019)
Proceeds from Sales and Maturities of Investments	7,395,628	14,176,075
Interest and Dividends on Investments, Net	58,980	67,575
Cash Used by Investing Activities	\$(43,355)	\$(74,369)
Cash Flows by Capital and Related Financing Activities		
Debt Repayment	\$(122,607)	\$(29,541)
Capital Debt Proceeds	312,186	70,037
Interest Expense	(22,535)	(23,173)
Capital Gifts Received	17,087	19,135
State Appropriations for Capital Projects		18,889
Construction or Purchase of Capital Assets	(206,616)	(194,929)
Cash Used by Capital and Related Financing Activities	\$(22,485)	\$(139,582)
Net Increase (Decrease) in Cash and Cash Equivalents	\$101,648	\$(47,508)
Cash and Cash Equivalents, Beginning of Year	409,660	457,168
Cash and Cash Equivalents, End of Year	\$511,308	\$409,660

STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of Cash Used for Operating Activities (Indirect Method)

	For the Year Ending June 30	
	2009	2008
(Dollars in Thousands)		
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$(524,160)	\$(489,639)
Depreciation Expense	112,244	106,652
Gifts in Kind	9,171	2,008
Changes in Assets and Liabilities:		
Accounts Receivable	1,485	(6,711)
Notes Receivable	(842)	(1,656)
Accrued Revenues	176	(791)
Other Assets	(3,238)	880
Accrued Compensated Absences	6,828	17,961
Accounts Payable	2,751	(3,741)
Deferred Revenue	5,097	(5,554)
Deposits Held in Custody for Others	1,051	3,951
Accrued Expenses	10,330	(3,668)
Accrued Salary and Wages	1,380	458
Advances from Federal Government	(134)	(121)
Cash Used by Operating Activities	\$(377,861)	\$(379,971)

See Accompanying "Notes to the Financial Statements."

Bindley Bioscience Center



NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ending June 30, 2009

NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION:

The financial statements of Purdue University have been prepared in accordance with the principles contained in Governmental Accounting Standards Board (GASB) Statement No. 35, “Basic Financial Statements — and Management’s Discussion and Analysis — for Public Colleges and Universities,” within the financial reporting guidelines of GASB Statement No. 34, “Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments,” and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB. **Amounts in the notes are presented in thousands of dollars unless stated otherwise.**

During fiscal year 2009, the University adopted GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”; GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”; GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”; and GASB Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.”

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General Information. Purdue University was established in 1869. It is the land-grant university for the state of Indiana. The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees. The selection of these trustees is prescribed in Indiana Code IC 21-23-3. Three of the trustees are selected by the Purdue Alumni Association. The other seven trustees are selected by the governor. Two of the trustees must be involved in agricultural pursuits, and one must be a full-time student of Purdue University. All trustees serve for a period of three years, except for the student member, who serves for two years.

The Internal Revenue Service has ruled that the units of Purdue University are exempt under Code sections 115(a) and 501(c)(3), and they are not “private foundations” under The Tax Reform Act of 1969.

Reporting Entity. The University is a special-purpose government that has elected to report as a business-type activity (BTA) using proprietary fund accounting and financial reporting. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. The University is also a component unit of the state of Indiana and is one of seven public universities in the state. The University receives funding from the state for operations, repair and maintenance, and debt service. Its nonexempt employees participate in the state’s public employees retirement program. (See Note 12.)

The financial reporting entity, as defined by GASB Statement No. 14, “The Financial Reporting Entity,” consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

The University adopted GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," which 1) provides criteria for determining whether certain university-related organizations should be reported as component units based on the nature and significance of their relationship with a primary government and 2) clarifies reporting requirements for these organizations. Based on these criteria, the financial statements define the University as the primary government, and one entity — the Purdue Research Foundation — as a discretely presented component unit. Two other entities, The Purdue Foundation and the Ross-Ade Foundation, continue to be blended within the University's statements and are not separately presented, in accordance with GASB Statement No. 14.

Discrete Component Unit

Purdue Research Foundation. The Purdue Research Foundation (PRF) was created in 1930. The primary purpose of PRF is to promote the educational purpose of Purdue University; award scholarships, grants, or other financial assistance to students and faculty; seek, acquire, and hold gifts and endowments for the needs of the University; and acquire property or facilities for the future use or benefit of the University. PRF is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. PRF provided grants, contracts, and gifts to Purdue University totaling approximately \$30,187 during its most recent fiscal year. PRF's fiscal year begins July 1 and ends June 30. PRF's audited financial statements, as presented in Purdue University's financial report, were rounded to the nearest thousand dollars. Complete financial statements for the foundation can be obtained by writing to: Purdue Research Foundation, 1281 Win Hentschel Blvd., West Lafayette, IN 47906.

PRF is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, "Financial Reporting of Not-for-Profit Organizations." As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information in the University's financial report for these differences.

Blended Component Units

The Purdue Foundation, Inc. The Purdue Foundation, Inc., was created in 1979. It is a separately incorporated, not-for-profit entity. The primary purpose of the foundation is the solicitation, receipt, and acceptance of gifts, donations, and bequests of funds and other property for the benefit of Purdue University. The foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Purdue University is the sole beneficiary of The Purdue Foundation.

Ross-Ade Foundation. The Ross-Ade Foundation was created in 1923. It is a separately incorporated, not-for-profit entity organized as an affiliated organization. The Ross-Ade Foundation constructs athletic and parking facilities on behalf of the University. These assets are leased by the University and are reported as capital leases. (See Note 8.)

Other

IPFW Foundation. The University is also the co-beneficiary with Indiana University of the Indiana-Purdue Foundation at Indiana University-Purdue University Fort Wayne.

Accounting Methods and Policies

The University prepares its financial statements on an accrual basis using the economic resources measurement focus.

Financial Accounting Standards Board (FASB). Certain pre-1989 FASB statements apply to public colleges and universities. GASB Statement No. 35 also permits business-type activities to adopt post-

1989 FASB statements unless they conflict with GASB pronouncements. The University has elected not to adopt post-November 30, 1989, FASB statements.

Accounts Receivable. Accounts receivable are shown net of an allowance for doubtful accounts. The amount of the allowance was \$3,108 for the 2008–2009 fiscal year and \$2,722 for the 2007–2008 fiscal year.

Pledges Receivable. Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and probable of collection. Pledges receivable do not include gifts made in anticipation of estates, telephone solicitations, or promises of endowment funds. An allowance for uncollectible pledges is calculated based on the University’s experience. The amount of the allowance was \$2,771 for the 2008–2009 fiscal year and \$2,418 for the 2007–2008 fiscal year.

Notes Receivable. Notes receivable primarily represent student loan repayments due the University and are presented net of allowance for doubtful accounts of \$182 for the 2008–2009 fiscal year and \$20 for the 2007–2008 fiscal year.

Inventories. Inventories are composed of (1) consumable supplies and items held for resale or re-charge within the University, (2) fuel for consumption, and (3) livestock and grain. The inventory of coal and limestone is valued on the Last In/First Out (LIFO) basis. Oil inventory is valued using the weighted-average method. Consumable supplies and items for resale are priced on a moving-average basis. Cattle and grain inventories are valued at market. Other miscellaneous inventories are generally valued on the First In/First Out (FIFO) basis. Agricultural commodities are reported using the consumption method and are measured by physical count. Consumable supplies and items held for resale are reported using the purchase method and are measured using the moving average cost method.

Investments. Investments, exclusive of institutional physical properties, are generally reported at fair value as of June 30, 2009. Fair value is generally based on quoted market price. Investments, exclusive of endowment funds, may be classified as cash equivalents, current or noncurrent, depending on the individual investments’ maturity date at June 30. Endowment funds are primarily included in noncurrent investments, with the exception of amounts designated for distribution.

Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to the fiscal year beginning July 1, 2009. These services include insurance, equipment leases, services of consultants, subscriptions, and certain subcontracts. These amounts are identified at the end of the fiscal year and accrued for financial reporting purposes.

Capital Assets. Capital assets are stated at cost or fair market value at date of gift, less accumulated depreciation computed on a straight-line basis over the estimated useful life, as shown in the following table (in whole dollars). Capital assets are removed from the records at the time of disposal.

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Property Class	Threshold	Useful Life
Moveable Equipment (including fabricated equipment)	\$2,500	More than one year
Software	\$100,000	5 years
Administrative Systems	\$500,000	7–10 years
Buildings and Related Components	\$100,000	10–50 years
Land Improvements	\$100,000	Varies
Infrastructure	\$100,000	Varies

Net Assets. University resources are classified for accounting and financial reporting purposes into four net asset categories:

- Invested in capital assets, net of related debt: Resources resulting from capital acquisition or construction, net of accumulated depreciation and net of related debt. (See Note 8.)
- Restricted–nonexpendable: Net assets subject to externally imposed stipulations that the funds be maintained inviolate and in perpetuity. Such assets include the University’s permanent and term endowment funds (see Note 10) and are categorized as instruction and research, student aid, and other.
- Restricted–expendable: Net assets that may be spent provided certain third-party restrictions are met. The following categories of restricted–expendable net assets are presented: instruction, research, and public service; student aid; auxiliary enterprises; construction; and other. Approximately 88% or \$256,698 of the “other” category results from undistributed gain on endowment funds and the fair value of funds functioning as endowments where the donor has restricted the use of the funds for a particular purpose. Neither component is available for general institutional use.
- Unrestricted: Net assets not subject to externally imposed stipulations pertaining to their use. Management may designate that these funds will be spent for certain projects or programs or to fulfill certain long-term goals. Management has designated substantially all unrestricted net assets for academic and capital purposes.

Operating Revenues and Expenses. Business-type activities receive financing in whole or in part by charging fees for goods and services to external users. These exchange transactions are considered part of operations. The University’s operating revenues include student tuition and fees, grants and contracts, auxiliary operations (such as Intercollegiate Athletics and Housing and Food Services), sales and service operations, federal land-grant appropriations, and county appropriations. Revenues are accrued when earned and measurable. Most expenses of the University — other than interest — are considered operating expenses. Operating expenses include compensation and benefits, travel, and supplies. Graduate, staff, staff dependent, and staff spouse fee remissions are included with compensation and benefits. Expenses are accrued when incurred and measurable. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Assets. Functional reporting appears in Note 14. Indirect expenses, such as depreciation, are not allocated across functional categories.

Nonoperating Revenues and Expenses. Nonoperating revenues include state appropriations, private gifts, investment income, and certain federal financial aid. Nonoperating expenses primarily include interest on short-term and long-term borrowings.

Intrauniversity Transactions. Intrauniversity transactions are eliminated from the statements to avoid double counting of certain activities. Examples of these transactions are internal loans and sales and services between University departments.

Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for a particular expenditure, University departments may select the most appropriate fund source based on individual facts and circumstances. The University, as a matter of policy, does not require funds to be spent in a particular order, only that the expenditure be allowable, allocable, and reasonable to the fund source selected. Restricted funds are categorized as restricted until the external stipulations have been satisfied.

Student Fees. Tuition and fees assessed to students are reported net of scholarship allowances. Scholarship allowances represent amounts credited to students' tuition and fees and include scholarships, Pell Grants, and various other types of aid. Student loans are not included in this calculation. Aid applied to housing is shown as an allowance against auxiliary revenues. Aid remitted directly to students is shown as scholarships, fellowships, and student awards expenses. Graduate and other employment-related remissions are included with compensation and benefits expenses.

Grants and Contracts. The University has been awarded grants and contracts for which the monies have not been received or expended. These awards have not been reflected in the financial statements but represent commitments of sponsors — both government and other — to provide funds for specific research and training projects.

The University makes commitments to share in the cost of various sponsored projects. Funds to satisfy these commitments are designated when grants and contracts are awarded. As sponsor dollars are spent, the University matches according to the terms of the agreement.

Gifts. The University receives pledges of financial support from many different sources. Gift income is recognized when received or pledged. In-kind gifts of tangible or intangible property are recognized at fair value on the date of gift and are capitalized, if appropriate, subject to the University's policies on capitalization. For the 2008–2009 fiscal year, revenue from gifts-in-kind of \$12,247 was recognized. Comparative data for 2007–2008 reflect \$2,666 in gifts-in-kind revenue.

Student Aid. Monies are received that are restricted by donors for aid to students and are reported in the financial statements as private gifts. When aid is awarded to students, it is either reflected as a scholarship allowance or expense. Monies received from donors who have specified the recipient are reported as deposits.

Compensated Absences. Liabilities for compensated absences are recorded for vacation leave based on actual amounts earned as of the balance sheet date. Exempt employees may accrue vacation benefits up to a maximum of 44 days. Clerical and service staff may earn vacation up to 320 hours. For all classes of employees, vacation is payable upon termination. Liabilities for sick leave are recorded for clerical and service staff that are eligible for, and have earned termination payments for, accumulated sick days upon termination or retirement. The accompanying statement of net assets reflects an accrual for the amounts earned and ultimately payable for such benefits as of the end of the fiscal year.

Purdue Research Foundation Trust Funds. The Purdue Research Foundation (PRF) Trust Funds are various revocable and irrevocable trusts established for the benefit of Purdue University, the Purdue Research Foundation, the former Purdue Alumni Foundation, and affiliates. The Purdue Research Foundation acts as trustee for these trusts. The Internal Revenue Service has determined that the PRF Trust Funds are exempt from federal income tax as defined in Sections 642 and 664 of the Internal Revenue Code.

The University records its interest in PRF Trusts' charitable remainder trusts based on the estimated present value of future cash flows. Future cash flows are estimated using an assumed investment rate of return on the underlying investments that will satisfy the trust requirements and an applicable discount rate at the time of contribution. The University's discrete component unit reflects its respective PRF Trust interest on the Statement of Financial Position. The fair value of funds held by PRF Trusts for Purdue University was \$20,407 for 2008–2009 and \$27,727 for 2007–2008. Change in fair value from one fiscal year to the next is reflective of changes in the market value of the underlying investments, new trusts being added, and the maturation and liquidation of existing trusts.

Reclassifications. Certain reclassifications have been made to the prior year statements for comparative purposes and do not constitute a restatement of prior year periods. Other Post-Employment Benefits in the amount of \$4,880 were reclassified from Current Liabilities to Noncurrent Liabilities.

NOTE 2 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit card deposits in transit, securities lending cash collateral, and certain investments with maturities three months or less as of the balance sheet date. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates. (See Note 3.) Investments, exclusive of endowment funds, that are included in cash equivalents represent short-term, highly liquid investments that are both a) readily convertible to known amounts of cash and b) so near their maturity date that they present insignificant risk of changes in value because of changes in interest rates. Cash purchases and sales of those types of investments are part of the University's cash management activities rather than part of its operating, capital, investing, and financing activities; details of these transactions are not reported in the Statement of Cash Flows.

NOTE 3 — DEPOSITS AND INVESTMENTS

Deposits. At June 30, 2009, the bank balance of the University's deposits (demand deposit accounts) was \$4,853, of which \$250 was covered by federal depository insurance. The remaining balance was insured by the state of Indiana's Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investments. Authorization for investment activity is stated in Indiana Code IC 21-29-2-1. Additionally, the Bylaws of the Trustees of Purdue University revised and amended on November 10, 2006, authorize the treasurer of the Board of Trustees to implement investment activity. The investment policy, as approved by the Board of Trustees, outlines parameters for investment activity for the University. As of June 30, 2009, and June 30, 2008, the University had the following investments:

Investment Type	June 30, 2009	June 30, 2008
U.S. Agencies	\$91,156	\$93,751
Asset-Backed Securities	35,437	50,188
Corporate Bonds	379,199	298,553
U.S. Equity	301,569	356,437
International Equity	164,108	187,295
International Fixed Income	9,025	7,365
Marketable Alternatives	151,520	169,427
Mortgage-Backed Securities	191,230	258,983
Private Equity	79,090	76,664
Real Estate	12,431	12,028
U.S. Treasuries and Securities	122,607	126,050
Securities Lending Cash Collateral	137,937	125,391
Bond Proceeds Invested	188,936	47,494
Mutual Funds and Cash	341,022	402,833
Total	\$2,205,267	\$2,212,459

Investment Policies, Interest Rate, and Credit Risks. The University's cash management investment policy outlines the parameters for cash management investment activity for the University. The Board

of Trustees approved this policy on April 11, 2008. Authorized investments (exclusive of endowment funds) include obligations of the United States government, its agencies, and its instrumentalities. Also included are commercial paper (rated A1/P1 or better); federally insured bank obligations (rated A or better); tri-party repurchase agreements; asset-backed securities (rated at least AAA or equivalent); corporate notes, bonds, or securities (rated investment grade) with demonstrated liquidity and marketability; pooled funds including mutual funds and common trust funds; and high-yield bonds (minimum credit quality of BB-/Ba3). All ratings must be by a nationally recognized rating agency. Portfolios will be invested in securities that result in a weighted average credit quality rating of at least "AA" or better as recognized by a national rating agency. The portfolio will be positioned to maintain sufficient liquidity to meet the operating needs of the University. Funds not required to meet cash needs will be invested over a longer-term horizon.

Invested bond proceeds follow investment practices in compliance with arbitrage regulations and generally have maturities of three years or less. These investments are readily available to match expected construction expenditures.

The University's investment policy for endowments outlines the parameters for endowment investments for the University. The Board of Trustees approved this policy on December 15, 2007. For the University's endowment pool, as a partial hedge against prolonged economic contraction, a commitment to intermediate and long-term bonds should be maintained. The Investment Committee has adopted a target allocation of 15% for the Fixed Income fund. Portfolios will be invested in securities that result in a weighted average credit quality rating of at least "AA" or better.

The estimated fair value of investments is based on quoted market prices except for certain investments, primarily private equity partnerships, hedge funds, and similar alternative investments, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by external investment managers within the past fiscal year through June 30. Because alternative investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market value for such investments existed.

Schleman Hall "green roof"



The University had the following fixed-income investments and maturities on June 30, 2009, and June 30, 2008:

June 30, 2009 Sector	Maturity				Totals
	0-1 year	1-5 years	6-10 years	>10 years	
U.S. Agencies	\$13,409	\$27,121	\$42,949	\$7,677	\$91,156
Asset-Backed Securities		24,283	3,748	7,406	35,437
Corporate Bonds	11,806	241,813	101,315	24,265	379,199
International Fixed Income		6,835	2,190		9,025
Mortgage-Backed Securities		5,630	7,747	177,853	191,230
U.S. Treasuries and Securities	32,443	68,885	12,495	8,784	122,607
Securities Lending Cash Collateral	137,937				137,937
Mutual Funds and Cash	393,100	54,958	44,713	37,187	529,958
Total	\$588,695	\$429,525	\$215,157	\$263,172	\$1,496,549

June 30, 2008 Sector	Maturity				Totals
	0-1 year	1-5 years	6-10 years	>10 years	
U.S. Agencies	\$49,291	\$29,703	\$6,549	\$8,208	\$93,751
Asset-Backed Securities		24,652	10,778	14,758	50,188
Corporate Bonds	18,238	192,319	57,335	30,661	298,553
International Fixed Income		5,427	1,938		7,365
Mortgage-Backed Securities	4,845	19,870	10,978	223,290	258,983
U.S. Treasuries and Securities		92,836	30,251	2,963	126,050
Securities Lending Cash Collateral	125,391				125,391
Mutual Funds and Cash	308,830	50,383	65,960	25,154	450,327
Total	\$506,595	\$415,190	\$183,789	\$305,034	\$1,410,608

The distribution of investment securities by credit ratings for June 30, 2009, and June 30, 2008, is summarized below. The Federal National Mortgage Association and Federal Home Loan Mortgage Company debt instruments represent \$83,127 (3.8%) and \$77,983 (3.5%), respectively, as of June 30, 2009. This compares to \$124,560 (5.6%) and \$100,930 (4.6%), respectively, as of June 30, 2008.

	June 30, 2009		June 30, 2008	
AAA	\$564,498	25.6%	\$582,286	26.3%
AA	93,547	4.2%	177,282	8.0%
A	191,498	8.7%	93,015	4.2%
BAA	98,657	4.5%	82,720	3.7%
BA	30,919	1.4%	17,167	0.8%
B	8,092	0.4%	5,160	0.2%
CA	1,589	0.1%		0.0%
CAA	2,020	0.1%	1,111	0.1%
Unrated	1,214,447	55.0%	1,253,718	56.7%
Total	\$2,205,267	100.0%	\$2,212,459	100.0%



Investment Custodial Credit Risk. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. At June 30, 2009, with the exception of \$243,041 in private placements and investments in limited partnerships (\$258,119 as of June 30, 2008), all investments were held in University accounts at the University's custodial banks.

Foreign Currency Risk. Endowment equity managers may invest in common stocks, preferred stocks or fixed-income instruments convertible into common stocks, and American Depository Receipts of foreign corporations. The University's endowment fixed-income managers may invest in foreign fixed-income securities equivalent in quality to permitted domestic securities, but not to exceed 20% of the assets entrusted to the manager. All currency exposures are to be hedged into the U.S. dollar unless otherwise approved by the Investment Committee. Please refer to the Investment Type table on page 28 for the University's exposure to international investments. In addition to those investments, the University estimates \$28,829 of international exposure in its alternative investments (\$29,888 as of June 30, 2008).

NOTE 4 — SECURITIES LENDING

The treasurer of the University, in accordance with policies established by the Board of Trustees, has entered into an agreement with a trust company to participate in a securities-lending program. The market value of the cash collateral is recorded as an asset in the Statement of Net Assets along with a corresponding liability. At June 30, 2009, the University had securities with market value of \$135,069 involved in loans (compared to \$130,201 on June 30, 2008). These loans were supported by collateral of \$137,937 (\$133,064). Of this collateral amount, \$137,937 (\$125,391) was cash and is included in cash and cash equivalents in the Statement of Net Assets. As of June 30, 2009, none of the collateral amount was acceptable non-cash collateral (compared to \$7,673 on June 30, 2008). The University does not have the ability to pledge or sell the non-cash collateral received except in the case of borrower default. Non-cash collateral is not included in the University's Statement of Net Assets. Securities lending of domestic securities is cash collateralized on the contract date at 102%, and foreign securities are cash collateralized at 105%. Credit risk is calculated as the aggregate of the lender's exposures to individual borrowers or on individual loans. At June 30, 2009, the University had no aggregate credit risk. However, although collateralized, the University would bear the risk if the cash collateral were impaired.

The University and the borrowers of its securities maintain the right to terminate all securities-lending transactions on demand. The cash collateral received on each loan is invested, together with the cash collateral of other lenders, in a co-mingled investment pool owned by the custodian. The maximum weighted maturity of the fund is 90 days. Since the loans may be called on demand, their duration does not generally match the duration of the investment made with the cash collateral. If the University had to terminate a term loan, the lending agent has the ability to substitute the same security from a different client while returning the University's security. For the year ending June 30, 2009, income from its participation in this securities-lending program was \$2,557 (compared to \$9,388 on June 30, 2008), and the expense was \$1,589 (\$8,342). Net income to the University from this program was \$968 (\$1,046). Under the securities-lending agreement, the custodian remits to the University earnings less rebate fees and expenses on a monthly basis.

NOTE 5 — DISAGGREGATION OF RECEIVABLES AND ACCOUNTS PAYABLE

Accounts receivable consisted of the following:

	June 30, 2009	June 30, 2008
Grants and Contracts	\$40,670	\$43,177
Student and General	22,418	21,160
Less: Allowance for Doubtful Accounts	(3,108)	(2,722)
Total Accounts Receivable, Net	\$59,980	\$61,615

Notes receivable consisted primarily of student loans as follows:

	June 30, 2009	June 30, 2008
Perkins Loans	\$27,087	\$26,991
Student Loans, Other Notes	26,983	26,775
Less: Allowance for Doubtful Loans	(182)	(20)
Total Notes Receivables	\$53,888	\$53,746
Less: Noncurrent Portion	(46,009)	(45,532)
Current Portion	\$7,879	\$8,214

Accounts payable consisted of the following:

	June 30, 2009	June 30, 2008
Construction Payables	\$23,263	\$19,950
Accounts Payables, Other	31,464	26,463
Total Accounts Payable	\$54,727	\$46,413

NOTE 6 — OTHER POST-EMPLOYMENT BENEFITS

Purdue University offers medical insurance for those retirees who are 55 or older whose age and years of service are equal to or greater than 70 and who have at least 10 years of service. Early retirees are given the option to continue their medical insurance if they pay the entire cost of the blended medical plan rate, which includes both active employees and early retirees. The early retirees benefit in that the cost of the benefit exceeds the cost of the plans, which creates an implicit rate subsidy. After the retiree reaches the age of 65, the program is no longer offered.

Purdue also offers a long-term disability program, which includes retirement benefit payments and medical and life insurance premium payments for a small required premium paid by the employee. After the employee reaches the age of 65, the program is no longer available. The income benefit liability for employees disabled before January 1, 2004, was transferred to an insurance carrier, and all future disability income benefit liability is now fully insured.

The post-retirement medical plans are single-employer plans administered by Purdue University, as authorized by the Board of Trustees, and are financed on a pay-as-you-go basis. Purdue's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The actuarial assumptions included are shown on page 34. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a 20-year period.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following tables show the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Determination of Annual Required Contribution (ARC)

Cost Element	For Fiscal Year
	Ending June 30, 2009
	Amount
Normal Cost	\$6,578
Amortization of the Unfunded	
Actuarial Accrued Liability	4,719
Total Annual Required Contribution (End of Year)	\$11,297

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2008	\$11,014	\$4,880	44%
June 30, 2009	\$11,297	\$5,293	47%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)
January 1, 2007	\$0	\$72,948	\$72,948	0%

Net OPEB Obligation (NOO)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a)+(b)+(c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d)-(e) (f)	NOO as of End of Year (g)
January 1, 2007	June 30, 2008	\$11,014	\$0	\$0	\$11,014	\$4,880	\$6,134	\$6,134
January 1, 2007	June 30, 2009	\$11,363	\$307	(\$373)	\$11,297	\$5,293	\$6,004	\$12,138

Valuation Date	January 1, 2007
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Amortization Method	20 Years, Closed, Level Percent of Pay
Remaining Amortization Period	20 Years Remaining as of January 1, 2007
Asset Valuation Method	N/A, No Assets in Trust
Actuarial Assumptions:	
Discount Rate	5%
Projected Payroll Increases	3%
Health-Care Cost Trend Rate:	
Medical	10% Graded to 5% over 5 Years
Prescription Drugs	12% Graded to 5% over 7 Years
Vision	3%
Administrative Costs	5%
Plan Membership:	
January 1, 2007	
Current Retirees and Surviving Spouses	242
Current Disabled	197
Current Active Members	12,047
Total	12,486

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the years ending June 30, 2009, and June 30, 2008, is summarized below.

Capital Assets Activity	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital Assets, Not Being Depreciated:				
Land	\$22,721	\$535		\$23,256
Construction in Progress	137,698	188,065	88,036	237,727
Total, Capital Assets, Not Being Depreciated	\$160,419	\$188,600	\$88,036	\$260,983
Capital Assets, Being Depreciated:				
Land Improvements	63,194	542		63,736
Infrastructure	59,939	2,839		62,778
Buildings	1,832,159	64,857		1,897,016
Equipment	486,267	41,682	24,410	503,539
Software	59,230			59,230
Total, Capital Assets, Being Depreciated	\$2,500,789	\$109,920	\$24,410	\$2,586,299
Less Accumulated Depreciation:				
Land Improvements	43,885	2,680		46,565
Infrastructure	19,011	4,155		23,166
Buildings	758,936	62,716	287	821,365
Equipment	312,848	36,246	21,798	327,296
Software	15,734	6,447		22,181
Total Accumulated Depreciation	\$1,150,414	\$112,244	\$22,085	\$1,240,573
Total Capital Assets, Net of Accumulated Depreciation	\$1,510,794	\$186,276	\$90,361	\$1,606,709

Capital Assets Activity	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital Assets, Not Being Depreciated:				
Land	\$22,721			\$22,721
Construction in Progress	168,906	84,788	115,996	137,698
Total, Capital Assets, Not Being Depreciated	\$191,627	\$84,788	\$115,996	\$160,419
Capital Assets, Being Depreciated:				
Land Improvements	59,055	4,139		63,194
Infrastructure	54,687	5,252		59,939
Buildings	1,674,392	159,767	2,000	1,832,159
Equipment	460,779	41,989	16,501	486,267
Software	42,487	16,743		59,230
Total, Capital Assets, Being Depreciated	\$2,291,400	\$227,890	\$18,501	\$2,500,789
Less Accumulated Depreciation:				
Land Improvements	41,203	2,682		43,885
Infrastructure	15,136	3,875		19,011
Buildings	701,161	59,257	1,482	758,936
Equipment	291,342	35,998	14,492	312,848
Software	10,894	4,840		15,734
Total Accumulated Depreciation	\$1,059,736	\$106,652	\$15,974	\$1,150,414
Total Capital Assets, Net of Accumulated Depreciation	\$1,423,291	\$206,026	\$118,523	\$1,510,794

NOTE 8 — DEBT RELATED TO CAPITAL ASSETS

Short-term Debt. On April 1, 2008, a commercial paper agreement was negotiated with Goldman, Sachs & Company. This agreement authorized a maximum borrowing of \$50,000 to finance portions of the costs of certain infrastructure, equipment, and facilities on various campuses. The interest rate is variable and reset based on market conditions. The University can set the maturity dates up to 270 days. The balance outstanding as of June 30, 2009, was \$34,386.

Notes Payable. Notes outstanding of \$464 at June 30, 2009, represent financing for various activities.

On March 1, 1998, an Energy Savings Loan Agreement was negotiated with Bank One, now JPMorgan Chase Bank, N.A. This agreement authorized a maximum line of credit of \$10,000 to pay the costs of qualified energy savings projects through December 31, 2001. Projects included both capital and non-capital improvements to the physical plant. Individual notes may have either a fixed or floating interest rate with maturities not extending beyond 2011. The outstanding balance of these notes, all of which have floating interest rates, was \$464 as of June 30, 2009. The interest rate for the notes was 1.72% as of June 30, 2009. The floating-rate notes can be reset at the University's option every one, two, three, or six months and is based on London Interbank Offered Rate (LIBOR) at the reset dates.

Bonds Payable. Bonds payable at June 30, 2009, total \$703,820, consisting of the following issues:

Issue	Issue Date	Interest Rates	Maturity Dates	Outstanding June 30, 2009
Student Facilities System Revenue Bonds:				
Series 2003A	2003	4.00%–5.38%	2004–2014	\$27,750
Series 2003B	2003	2.00%–4.25%	2005–2018	5,655
Series 2004A	2004	0.18% at June 30*	2008–2033	28,000
Series 2005A	2005	0.17% at June 30*	2005–2029	21,585
Series 2007A	2007	5.00%–5.25%	2014–2029	61,865
Series 2007B	2007	4.00%–5.00%	2008–2032	26,470
Series 2007C	2007	0.17% at June 30*	2009–2032	61,725
Series 2009A	2009	3.50%–5.00%	2009–2034	35,025
Series 2009B	2009	3.00%–5.00%	2010–2035	41,525
Student Fee Bonds:				
Series H	1993	2.78%–5.25%	1998–2015	8,100
Series K	1995	2.20%–5.63%	1997–2020	13,500
Series L	1995	3.00%–5.63%	1997–2020	11,800
Series N	1998	3.55%–5.50%	1998–2014	17,930
Series O	1998	2.68%–5.63%	2000–2019	22,510
Series P	1998	4.00%–5.25%	1999–2017	35,430
Series Q	2000	2.63%–6.00%	2002–2010	4,060
Series R	2002	3.00%–5.38%	2002–2023	14,560
Series S	2004	0.18% at June 30*	2007–2026	12,625
Series T	2004	0.33% at June 30*	2008–2027	13,990
Series U	2005	3.50%–5.25%	2006–2022	34,900
Series V	2005	0.18% at June 30*	2008–2027	58,280
Series W	2006	4.00%–5.00%	2007–2026	39,610
Series X	2009	2.00%–5.50%	2009–2028	106,925
Total				\$703,820

*Variable interest rate.

The Student Fee Bonds are secured by a pledge of mandatory student fees, and the Student Facilities System Revenue Bonds are secured by a pledge of auxiliary revenues and any other available income, except student fees and state appropriations. Student fees (net of scholarship allowance) were \$574,094 for the 2008–2009 fiscal year. Variable interest rates are reset weekly and are based upon market conditions.

On January 22, 2009, Student Facilities System Revenue Bonds, Series 2009A, were issued in the amount of \$35,025. This series was issued to finance the costs for the remaining portion of the new student housing facility on the West Lafayette campus, continued renovation of Windsor Residence Halls, Calumet Student Housing, and refunding a portion of outstanding commercial paper.

On May 21, 2009, Student Facilities System Revenue Bonds, Series 2009B, were issued in the amount of \$41,525. This series was issued to finance the costs for the Student Housing project on the Fort Wayne campus, the continued renovation of Windsor Residence Halls, and refunding a portion of outstanding commercial paper.

On April 9, 2009, Student Fee Bonds, Series X, were issued in the amount of \$106,925. This series was issued to finance the costs for a replacement boiler in the Wade Utility Plant; addition of the Roger B. Gatewood wing of the Mechanical Engineering Building; Student Services and Library Complex on

the Fort Wayne campus; repair and rehabilitation projects on the West Lafayette campus; and refunding a portion of outstanding commercial paper.

Included in Current Liabilities for 2008–2009 is \$196,205 (\$199,990 for 2007–2008) of Student Fee demand bonds (Series S, Series T, and Series V), backed by student fees, and Student Facility System Revenue demand bonds (Series 2004A, Series 2005A, and Series 2007C), backed by certain auxiliary revenues and other available funds, maturing serially through July 1, 2033. The bonds were issued under Indiana Code IC 21-34 and IC 21-35. The proceeds of the bonds were used to (a) provide funds for certain capital improvements, (b) refund certain interim financing, (c) provide for construction period interest for a portion of the bonds, and (d) pay costs incurred to issue the bonds. The anticipated redemption schedule for these bonds is included in the scheduled debt payments table on page 38.

The University may direct a change in the type of interest rate borne by the bonds, in whole or in part, at any time from the weekly rate to a rate determined pursuant to one of six additional interest rate modes: a daily rate, a monthly rate, a quarterly rate, a semiannual rate, or a term rate (each an “adjustable rate”), or a fixed rate in accordance with the procedures provided in the indenture. However, if the bonds are converted in whole or in part to a fixed rate, the interest rate on the bonds so converted may not be subsequently changed to an adjustable rate.

The bonds are subject to purchase on the demand of the holder, a “put,” at a price equal to principal plus accrued interest, on seven days’ notice and delivery to the University’s remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

If within one day of the put date the remarketing agent is unable to resell any bonds that are put, the University is required to provide the funds to satisfy the repurchase of the bonds at 100% par value, plus interest accrued to the settlement date of the put. With the exception of Series T, the University has chosen to provide self-liquidity in the event of a put from any holder of these bonds.

For Student Fee Bonds, Series T, the University has chosen to maintain a standby purchase agreement with JPMorgan Chase Bank, N.A., whereby the bank would provide liquidity in the event of a bondholder put. The University pays an annual commitment fee of 40 basis points (0.40%) for this support. If the line is drawn, interest will accrue at a defined LIBOR-based rate not to exceed 10%. The current standby purchase agreement is valid through October 23, 2009. The agreement was extended in September 2009 to October 22, 2010, with an annual commitment fee of 60 basis points (0.60%). There were no amounts drawn as of June 30, 2009.

Capital Leases. At June 30, 2009, long-term debt included amounts relating to properties with a net book value (net of accumulated depreciation) of \$87,753 leased from the Ross-Ade Foundation, a blended component unit. The outstanding balance on these leases at June 30, 2009, was \$63,020. The debt payments on these properties in the 2008–2009 fiscal year totaled \$7,890, consisting of \$4,560 principal and \$3,330 interest.

On April 9, 2004, the University entered into an \$8,195 capital lease agreement with the Purdue Research Foundation (PRF), a discrete component unit. The lease took effect upon completion of the Academic Learning Center near the Calumet campus. The outstanding balance on the lease was \$7,375 as of June 30, 2009, and the facility had a book value (net of accumulated depreciation) of \$7,258. The debt payments on this property in the 2008–2009 fiscal year totaled \$573, consisting of \$220 principal and \$353 interest.

On August 12, 2008, the University entered into a \$1,133 capital lease agreement with the Purdue Research Foundation (PRF), a discrete component unit. The lease was for the Woodmar Clinic near the Calumet campus. The outstanding balance on the lease was \$1,117 as of June 30, 2009, and the facility had a book value (net of accumulated depreciation) of \$1,110. The debt payments on this property in the 2008-2009 fiscal year totaled \$150, consisting of \$16 principal and \$134 interest.

Scheduled bond, lease, and note payments for the fiscal years ending June 30 are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$67,226	\$28,647	\$95,873
2011	34,550	26,892	61,442
2012	37,329	25,331	62,660
2013	39,575	23,658	63,233
2014	41,893	21,920	63,813
2015-2019	183,324	87,048	270,372
2020-2024	173,763	53,655	227,418
2025-2029	163,607	22,069	185,676
2030-2034	62,505	4,667	67,172
2035-2036	6,410	109	6,519
	\$810,182	\$293,996	\$1,104,178
Net Unamortized Premiums and Deferred Costs	20,889		20,889
Total	\$831,071	\$293,996	\$1,125,067

NOTE 9 — OTHER DEBT INFORMATION

Long-term Liabilities. Long-term liability activity for the years ending June 30, 2009, and June 30, 2008, is summarized below:

Long-term Liabilities	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion
Advances from Federal Government	\$20,052		\$134	\$19,918	
Bonds Payable, Net	564,640	\$311,053	118,298	757,395	\$255,776
Compensated Absences	52,297	25,469	24,644	53,122	24,658
Other Post-Employment Benefits	6,134	11,297	5,293	12,138	
Funds Held in Trust for Others	7,556	3,992	5,805	5,743	
Leases Payable to Affiliated Foundations	77,220	1,133	5,141	73,212	5,028
Notes Payable	1,230		766	464	177
Total	\$729,129	\$352,944	\$160,081	\$921,992	\$285,639

Long-term Liabilities	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion
Advances from Federal Government	\$20,174		\$122	\$20,052	
Bonds Payable, Net	518,181	\$71,725	25,266	564,640	\$226,286
Compensated Absences	40,470	36,034	24,207	52,297	24,644
Other Post-Employment Benefits		11,014	4,880	6,134	
Funds Held in Trust for Others	8,042	5,802	6,288	7,556	
Leases Payable to Affiliated Foundations	82,150		4,930	77,220	5,124
Notes Payable	2,261		1,031	1,230	766
Total	\$671,278	\$124,575	\$66,724	\$729,129	\$256,820

Commercial paper of \$34,386 in 2008-2009 and \$10,000 in 2007-2008 are included in the Bonds Payable value in the tables above.

Defeased Bond Issues. The University defeased bond issues by prepayment or by issuing new debt as shown below. United States Treasury obligations have been purchased in amounts sufficient to pay principal and interest payments when due, through maturity, and have been deposited in irrevocable trusts with the trustee. Neither the defeased bonds nor the related trusts are reflected on the University's books.

Description of Bonds	Final Maturity/ Call Date	Amount Outstanding June 30, 2009
Student Fee and Facilities:		
Building Facilities Fee Bonds	7/1/2009	\$1,165
Student Fee Bonds Series Q	7/1/2010	34,955
Student Facilities System Revenue Bonds, Series 2003A	7/1/2013	48,345
Student Facilities System Revenue Bonds, Series 2003B	7/1/2013	17,950
Certificates of Participation, Issued by Ross-Ade Foundation:		
Certificates of Participation, Series 2001A	7/1/2011	\$57,060

Direct Financing Lease. In 1998, the University agreed to refinance the construction of the Animal Disease Diagnostic Laboratory (ADDL) Building and lease it to the Indiana Department of Administration on behalf of the Indiana State Board of Animal Health. Lease payments are equal to the University's debt service payments. Nonrecourse bonds for \$10,830 were issued to the Indiana Bond Bank, secured solely by lease payments from the Indiana Department of Animal Health through annual appropriations for this purpose from the state of Indiana. The University's rights to receive lease payments have been assigned to the trustees for the Indiana Bond Bank. At June 30, 2009, the outstanding amount of these bonds was \$2,435. The ADDL Building, the lease receivable, and the bonds payable are not reflected on the University's books.

In addition, the University has entered into various operating leases for buildings and equipment. Net expenses for rent under these leases for the year ending June 30, 2009, were \$10,905 and are included in Supplies and Services in the Statement of Revenues, Expenses, and Changes in Net Assets.

NOTE 10 — DONOR-RESTRICTED ENDOWMENTS

The University's endowment funds (including true, term, and funds functioning as endowments) are invested in a unitized pool. The unitized endowment pool purchases investments to generate present and future income in support of various programs. The University's Board of Trustees establishes the spending policy for the unitized endowment pool. The current spending policy distributes 4.5% of the average of the ending values for the prior twelve quarters in semiannual distributions. The distribution includes both income and equity components. Market appreciation of the pool was \$202,154 as of June 30, 2009. Of this amount, 27.4% represents appreciation attributable to donor-restricted (true and term) endowments. The University's endowment policies are subject to the provisions of Indiana Code IC 30-2-12, "Uniform Management of Institutional Funds." Under this section, the University's Board of Trustees may authorize expenditure — consistent with donors' intent — of net appreciation in the fair value of the assets of the endowment.

NOTE 11 — CONTINGENT LIABILITIES AND COMMITMENTS

Legal Actions. In the normal course of its activities, the University is a party in various legal actions. Although it is involved in a number of claims, the University does not anticipate significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions, the University believes that the outcome thereof will not have a material effect on the financial statements.

Construction Projects. As of June 30, 2009, contractual obligations for capital construction projects were \$133,633.

Natural Gas Procurement. The University has entered into various forward contracts to purchase natural gas at a specified time in the future at a guaranteed price. This activity allows the University to plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the University is committed to buy. This would reduce the value of the contract. The University could sell the forward contract at a loss and then buy natural gas on the open market. The University is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the University have to procure natural gas on the open market.

Limited Partnership Agreements. Under the terms of various limited partnership agreements approved by the University's Board of Trustees, the University is obligated to make periodic payments for commitments to venture capital, private equity, natural resources, and real estate investments over the next several fiscal years. As of June 30, 2009, the University had the following unfunded commitments: \$55,518 to 40 private equity/venture capital managers, \$15,560 to 11 private real estate managers, \$22,686 to 13 natural resource managers, and \$618 to the Indiana Future Fund. These amounts are not included as liabilities in the Statement of Net Assets.

	Fiscal Year	Amount
Outstanding commitments are estimated to be paid based on	2009–2010	\$23,596
the capital calls from the individual managers, subject to change	2010–2011	23,596
due to market conditions, as shown in the table at right:	2011–2012	23,595
	2012–2013	23,595

NOTE 12 — RETIREMENT PLANS

Authorization. Authorization to establish retirement plans is stated in Indiana Code IC 21-38-7.

All Employees. University employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). For the 2008–2009 fiscal year, the University's cost was \$49,903 under this program.

Faculty and Administrative/Professional Staff. Faculty, professional, and certain administrative employees of the University participate in a defined contribution plan administered through the Teachers Insurance and Annuity Association (TIAA). Benefit provisions are established and/or amended by the Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. Faculty and management personnel participate immediately upon employment; all others must satisfy a three-year waiting period. The University contributes 11% of each participating employee's salary up to \$9 and 15% of the salary above \$9. Employee contributions are not required but may be made on a voluntary basis. For the 2008–2009 fiscal year, the University made contributions totaling \$70,846 to this plan. For the fiscal year ending June 30, 2009, there were 6,587 employees participating in TIAA with annual pay equal to \$451,130.

Clerical and Service Staff. Regular clerical and service staff employed at least half-time participate in the Public Employees Retirement Fund (PERF), a retirement program administered by an agency of the state of Indiana. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the state of Indiana. There are two parts to this plan: an annuity savings plan to which the University contributes 3% of the employee's salary and a defined benefit agent multi-

employer plan to which the University contributes 6.3% of the employee's salary. Employee contributions are not required but may be made on a voluntary basis. Employees are eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after 10 years of employment. For the 2008–2009 fiscal year, the University made contributions totaling \$13,475 to this plan. For the fiscal year ending June 30, 2009, there were 5,329 employees participating in PERF with annual pay equal to \$145,394.

The required employer's contribution was determined as part of the July 1, 2007, actuarial valuation using the entry age normal cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% per year, and (c) 1.5% per year cost-of-living adjustments. Actuarial information related to the University's portion of the plan is disclosed later in this note.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing to: Public Employees Retirement Fund, Harrison Building, Room 800, 143 W. Market Street, Indianapolis, IN 46204; by calling (317) 233-4162; or by visiting www.in.gov/perf.

Police and Firefighters. A supplemental pension program for police officers and firefighters (Police/Fire) was authorized by the Board of Trustees on March 13, 1990, and was established on July 1, 1990. In conjunction with other retirement plans offered by the University, this plan provides police officers and firefighters employed by Purdue with a total retirement benefit that is comparable to the benefits received by municipal police and fire personnel in Indiana. Benefit provisions are established and/or amended by the Board of Trustees. The program is an agent single-employer defined benefit plan administered through the Teachers Insurance and Annuity Association (TIAA). The plan provides for vesting after the completion of 10 years of covered employment, and employees are eligible for normal retirement benefits after the completion of 20 years of covered employment and attainment of 55 years of age. The normal benefit payable under this plan is an amount equal to 50% of the annual base salary of a nonprobationary-level police officer at each campus, as in effect at the time of a member's retirement, reduced by the amount of any pension benefits payable under other Purdue University retirement programs, including TIAA-CREF and PERF. For the fiscal year ending June 30, 2009, there were 106 employees participating in Police/Fire with annual pay equal to \$5,318.

Employees covered by this plan are required to make contributions equal to 3% of the current salary for a nonprobationary-level police officer. University contributions are to be in such additional amounts as needed to maintain the plan on an actuarially sound basis. Financial reports related to this plan may be obtained by writing to: Public Records Officer, Purdue University, Freehafer Hall, 401 South Grant Street, West Lafayette, IN 47907-2024.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2008. Because the plan was implemented on a retroactive basis to cover all current police officers and firefighters, the University has an unfunded actuarial liability at July 1, 2008, of \$1,427, which is being amortized over a 30-year period. The required contribution to the plan for the 2008–2009 fiscal year was \$835, consisting of \$612 normal cost, \$168 amortization of the unfunded liability, and \$55 interest. Of the required amount, \$150 represents employee contributions, and \$685 represents the University's contribution. The actual amount contributed by the University was \$573. The required contribution was determined as part of the July 1, 2008, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7% investment rate of return, (b) projected salary increases of 4% per year, and (c) 3% per year cost-of-living adjustments.

Additional disclosures related to the University's defined benefit programs (PERF and Police/Fire) are presented in the table that follows.

Three-Year-Trend Information

Plan*	Fiscal Year Ending June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
PERF†	2006	\$177,925	\$181,268	\$3,343	98.2%	\$127,808	2.6%	\$5,137	113.0%	\$(8,785)
	2007	190,984	187,822	(3,162)	101.7%	131,341	(2.4)%	7,829	89.1%	(7,932)
	2008	204,286	207,956	3,670	98.2%	138,063	2.7%	7,859	106.4%	(8,434)
Police/Fire	2006	17,595	19,074	1,479	92.2%	4,595	32.2%	623	135.8%	(223)
	2007	19,679	19,984	305	98.5%	4,854	6.3%	528	122.2%	(117)
	2008	20,014	21,441	1,427	93.3%	5,318	26.8%	685	83.6%	112

*Data for 2009 not available from actuaries.

†University portion only.

Cooperative Extension Service. As of June 30, 2009, there were 48 staff members with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System.

NOTE 13 — RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; accident, health, and other medical benefits provided to employees and their dependents; and long-term disability benefits provided to employees. The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings and contents, the University's risk retention is \$250 per occurrence. There is \$1,000 retention per occurrence or wrongful act for general, automobile, and professional and educators' legal liability coverage. The University retains the entire risk for medical benefits. The maximum liability to the University for job-related illnesses or injuries is \$500 per incident, with a maximum annual aggregate liability of \$7,860.

Separate funds have been established to account for these risks. All departments of the University are charged fees based on actuarial estimates of the amounts necessary to pay claims and to establish reserves for catastrophic losses. For the 2008–2009 fiscal year, the University reflected \$66 of insurance proceeds as nonoperating income within the Plant Assets Retired line in the Statement of Revenues, Expenses, and Changes in Net Assets.

The University accrues liabilities for claims if information indicates that a loss has been incurred as of June 30, and the amount of the loss can reasonably be estimated. The liability for medical claims incurred but not reported at June 30, 2009, is based on actuarial estimates. Changes in the balances of claims liabilities during the 2008–2009 and 2007–2008 fiscal years were as follows:

	June 30, 2009	June 30, 2008
Beginning Liability	\$11,350	\$15,093
Claims Incurred	98,275	60,388
Claims Payments	(88,399)	(64,131)
Ending Liability	\$ 21,226	\$ 11,350

NOTE 14 — OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the fiscal years ending June 30, 2009, and June 30, 2008, are summarized as follows:

Operating Expenses by Function for the Year Ending June 30, 2009

	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships, and Student Awards	Total
Instruction and Departmental Research	\$549,495	\$93,073			\$642,568
Organized Activities Related to Instruction and Research	11,415	10,267			21,682
Sponsored Research	123,157	53,377			176,534
Other Separately Budgeted Research	15,110	2,138			17,248
Extension and Public Service	70,282	41,696			111,978
Academic Support	13,640	13,889			27,529
Student Services	33,903	8,748			42,651
Physical Plant Operations and Maintenance	79,176	44,378			123,554
General Administration	76,546	22,396			98,942
General Institutional Services	45,333	11,160			56,493
Depreciation			\$112,244		112,244
Student Aid		787		\$57,331	58,118
Auxiliary Enterprises	101,805	89,312			191,117
Total	\$1,119,862	\$391,221	\$112,244	\$57,331	\$1,680,658

Operating Expenses by Function for the Year Ending June 30, 2008

	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships, and Student Awards	Total
Instruction and Departmental Research	\$517,680	\$79,861			\$597,541
Organized Activities Related to Instruction and Research	10,646	9,597			20,243
Sponsored Research	122,019	60,360			182,379
Other Separately Budgeted Research	21,308	2,174			23,482
Extension and Public Service	72,299	31,981			104,280
Academic Support	14,226	15,855			30,081
Student Services	30,929	8,600			39,529
Physical Plant Operations and Maintenance	73,435	54,065			127,500
General Administration	71,467	24,444			95,911
General Institutional Services	37,458	11,707			49,165
Depreciation			\$106,652		106,652
Student Aid	919	535		\$38,354	39,808
Auxiliary Enterprises	88,357	91,131			179,488
Total	\$1,060,743	\$390,310	\$106,652	\$38,354	\$1,596,059

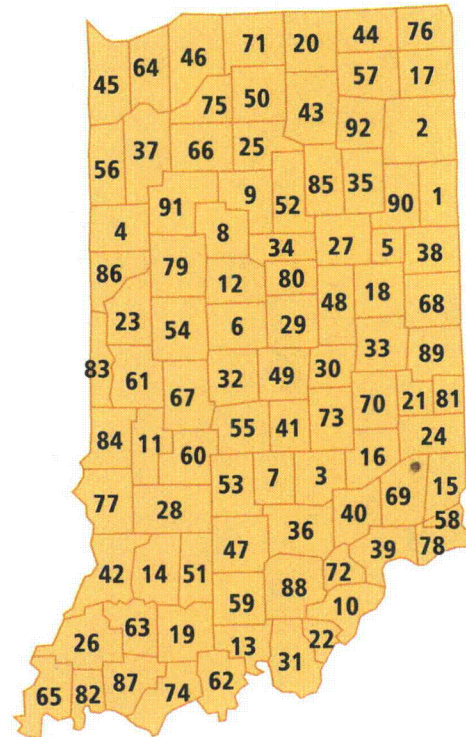
NOTE 15 — SUBSEQUENT EVENTS

On September 9, 2009, \$50,395 of Certificates of Participation were issued. The Certificates of Participation consist of a tax-exempt series and a taxable series. The Tax-Exempt Certificates of Participation, Series 2009A, have an original principal amount of \$7,600. The Taxable Certificates of Participation, Series 2009B, (Build America Certificates Direct Pay Option) have an original principal amount of \$42,795. The Series 2009B Certificates are issued under the America Recovery and Reinvestment Act and the University will receive from the federal government a credit of 35% of interest expense annually. These certificates were issued to provide financing for the Mackey Arena renovation and relocation of the two outdoor football practice fields and the F parking lot.

IN-STATE ENROLLMENT (UNAUDITED)

Total In-State Enrollment by County, Fall 2008–2009 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 67,359 students for the 2008–2009 fall semester. The breakdown was: West Lafayette, 40,090; Calumet, 9,325; Fort Wayne, 12,338; North Central, 4,245; and Technology Statewide, 1,361. (The enrollment figures do not include 4,629 Purdue University students at Indiana University-Purdue University Indianapolis.) Although students came to Purdue from all over the world, 73% systemwide came from within Indiana.



County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total	County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total	County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
1 Adams	68	32	1	101	32 Hendricks	561	5	24	590	63 Pike	10			10
2 Allen	964	410		1,374	33 Henry	82	3	18	103	64 Porter	762	2220	1	2,983
3 Bartholomew	246	1	88	335	34 Howard	378	5	100	483	65 Posey	56			56
4 Benton	126	6	6	138	35 Huntington	89	8	1	98	66 Pulaski	76	36		112
5 Blackford	23	36	1	60	36 Jackson	87	1	22	110	67 Putnam	56	1	3	60
6 Boone	424	1	8	433	37 Jasper	188	192		380	68 Randolph	59	1	7	67
7 Brown	17	3	1	21	38 Jay	22	59	8	89	69 Ripley	54		12	66
8 Carroll	151	5	16	172	39 Jefferson	55		8	63	70 Rush	48		3	51
9 Cass	142	2	19	163	40 Jennings	32	3	13	48	71 St. Joseph	806	94	96	996
10 Clark	100	565	52	717	41 Johnson	344		14	358	72 Scott	16		8	24
11 Clay	39	203	1	243	42 Knox	72	6		78	73 Shelby	108		5	113
12 Clinton	189	78	23	290	43 Kosciusko	214	274	2	490	74 Spencer	42		2	44
13 Crawford	5	17	1	23	44 Lagrange	28		1	29	75 Starke	55	153	1	209
14 Daviess	33			33	45 Lake	1,688	7266	3	8,957	76 Steuben	74	8		82
15 Dearborn	128	17	4	149	46 LaPorte	340	1931	3	2,274	77 Sullivan	21	2		23
16 Decatur	98	42	40	180	47 Lawrence	76	7	2	85	78 Switzerland	9			9
17 DeKalb	94	54	1	149	48 Madison	203	5	71	279	79 Tippecanoe	8,576	8	151	8,735
18 Delaware	127	4	14	145	49 Marion	1,867	22	25	1,914	80 Tipton	69		13	82
19 Dubois	142	47	1	190	50 Marshall	162	18	12	192	81 Union	6	1	2	9
20 Elkhart	431	29	41	501	51 Martin	12	5		17	82 Vanderburgh	317		2	319
21 Fayette	29	5	22	56	52 Miami	89	228	21	338	83 Vermillion	30		5	35
22 Floyd	118	3	42	163	53 Monroe	169	1	1	171	84 Vigo	133	1	6	140
23 Fountain	87		3	90	54 Montgomery	170	3	13	186	85 Wabash	61			61
24 Franklin	95	583	9	687	55 Morgan	156	1	9	166	86 Warren	40			40
25 Fulton	74	9	3	86	56 Newton	57	36		93	87 Warrick	174	1	1	176
26 Gibson	69	1		70	57 Noble	81	338		419	88 Washington	27		9	36
27 Grant	121		19	140	58 Ohio	8	6		14	89 Wayne	130		61	191
28 Greene	61			61	59 Orange	32	450	4	486	90 Wells	78			78
29 Hamilton	1,706	6	25	1,737	60 Owen	25	11580		11,605	91 White	212	5	21	238
30 Hancock	247	4	5	256	61 Parke	33			33	92 Whitley	62	4		66
31 Harrison	39	26	24	89	62 Perry	18	1	1	20					
										Total	25,698	27,178	1,255	54,131

ACKNOWLEDGEMENTS:

The following staff members of the Department of Accounting Services, Office of the Comptroller, prepared the *2008–2009 Financial Report* and the included financial statements.

JAMES S. ALMOND — *Interim Executive Vice President and Treasurer*

JOHN R. SHIPLEY — *Interim Vice President for Business Services and Assistant Treasurer*

KIMBERLY K. HOEBEL — *Cost Accounting Manager*

ANTONIO L. C. MARZOLI — *Property Accounting Administrator*

KAY L. PARKER — *Manager of Financial Reporting*

KATHY ROARK — *Unrestricted/Restricted Funds Accountant*

STACY L. UMLAUF — *Chart of Accounts Manager*

KATHERINE L. VANDERWALL — *Manager of Endowment, Plant, and Auxiliary Funds*

LESLIE M. WAMPLER — *Property Accounting Administrator*

MATTHEW D. WESTHUIS — *Assistant Comptroller*

JAMES P. WILEY — *Plant Agency and Auxiliary Funds Accountant*

JOANN WILEY — *Gift Funds Accountant*

KENNETH J. WILSON — *Associate Comptroller*

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