Financial Report 2018

LETTER OF TRANSMITTAL

October 25, 2018

To the Board of Trustees of Purdue University:

We are pleased to submit this, the 96th annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2018, 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 herein.

Respectfully submitted,	Respectfully submitted,
MITCHELL E. DANIELS, JR. *President*	WILLIAM E. SULLIVAN *Treasurer and Chief Financial Officer*

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

BOARD OF TRUSTEES

July 1, 2017-June 30, 2018

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.

OFFICERS OF THE UNIVERSITY

As of June 30, 2018

OFFICERS OF THE BOARD OF TRUSTEES

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William E. Sullivan, Treasurer

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Michael A. Bobinski, Director of Intercollegiate Athletics

Gina C. DelSanto, Chief of Staff

Suresh Garimella, Executive Vice President for Research and Partnerships

William G. McCartney, Executive Vice President Information Technology & System Chief Information Officer

Alysa Christmas Rollock, Vice President for Ethics and Compliance

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Ronald L. Elsenbaumer, Chancellor, Purdue University Fort Wayne

Thomas L. Keon, Chancellor, Purdue University Northwest

Stephen R. Turner, Vice Chancellor for Finance and Administration, Purdue University Northwest

David Wesse, Vice Chancellor for Financial and Administrative Affairs, Purdue University Fort Wayne

REPORT OF THE PRESIDENT

On behalf of the students, faculty, Trustees, and other leaders of Purdue University, I respectfully submit Purdue University's financial statements for the 2018 fiscal year. These financial statements have been audited by the Indiana State Board of Accounts and their report, which is an unmodified opinion, appears on pages 6 through 8.

One-hundred fifty years ago next May, the State Assembly acted to create Purdue University. The vote would allow Indiana to participate in a federal offer, signed by Abraham Lincoln, to subsidize the creation of so called land-grant universities.

As explained by Purdue historian John Norberg, the rationale could be reduced to three simple goals. With only about 1 percent of Americans receiving a college degree in that era, the first goal was to increase the number of students attending a university, especially among the working classes. The second goal was to use the university and the students it prepared to develop the state economically and civically. And third, the new university would advance practical disciplines such as agriculture and engineering that were vital to the nation's long-term interests.

These three goals continue to guide our operations. Over the last year, we've made the benefits of a Purdue education even more available to Hoosiers. We've enrolled more students from Indiana, added an online adult education institution to our system known as Purdue Global, become more affordable, and enlarged our role as a supplier of the state's STEM workforce. Thanks to the efforts of many, including the support of Governor Holcomb, the General Assembly and the Commission for Higher Education, the state is earning a strong return on its investment.

As we mark our 150th birthday, demand for a Purdue education has never been stronger. The West Lafayette campus received some 12,000 more undergraduate applications in the Fall of 2018 than in the Fall of 2014, an increase of 30 percent. Consequently, we were able to enroll roughly 1,000 more Hoosier freshmen on our West Lafayette campus this fall than we did in 2014.

One explanation for the growth in demand is that Purdue has proven it can do something rarely seen in higher education: hold the line on rising costs, while increasing investments in quality. Even after growing our faculty to unprecedented levels, putting millions into student success, investing in our engineering, plant sciences and other leading research programs, it is still cheaper to attend Purdue West Lafayette today than it was in 2013.

We are now in year six of what will be at least seven years of frozen tuition at our main campus. Had we raised our rates on Hoosier students at the average rate of increase at other 4-year public schools, our in-state tuition would be more than $1,400 higher, and Purdue students would have paid $465 million more in tuition, fees, and room and board increases. Instead, student borrowing has plummeted, as have loan default rates.

Now ranked fourth in the country by the Wall Street Journal as the university offering the most value, our students are completing their degrees at a higher rate than ever before. Graduation rates are at all-time highs overall, and notably also for first generation students and underrepresented minorities.

Meanwhile, a completely revamped entrepreneurial ecosystem has led to unprecedented contributions to the Indiana economy. Today, twice as many patents are filed out of the Purdue system by our faculty and student inventors and researchers as were filed in 2012, and five times as many startup companies are born annually out of Purdue research — which too, has reached an unprecedented level of volume and quality, system-wide.

Across all our campuses, with the now consistent names of Purdue University, Purdue Northwest, Purdue Fort Wayne, and Purdue Global, we are united and remain committed to the land-grant mission. If Indiana did not have a Purdue University, we would all be scrambling to create one. Fortunately, thanks to the actions taken by the General Assembly 150 years ago, we only need to maintain, cultivate and support this great university.

As we do, we thank you for your continued trust and backing.

Sincerely,

Mitchell E. Daniels, Jr.
President

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows of the business-type activities and the aggregate discretely presented component units of Purdue University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Purdue Research Foundation (Foundation), which represent 92 percent, 98 percent, and 96 percent, respectively, of the total assets, net position and revenues of the discretely presented component units. Additionally, we did not audit the financial statements of Purdue University Global, Inc., which represent 2 percent, 0.4 percent, and 5 percent, respectively, of the total assets, net position and revenues of the business-type activities. These statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and Purdue University Global, Inc., are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, a discretely presented component unit, were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards.*

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

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

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2018, the University adopted new accounting guidance GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* and GASB Statement 81 *Irrevocable Split-Interest Agreements*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes of Purdue's Total OPEB Liability and Related Ratios, Schedule of Purdue's Share of the Net Pension Liability Indiana Public Employee Retirement Fund (PERF), Schedule of Purdue's Contributions Indiana Public Employee Retirement Fund (PERF), and Retirement Plans - Schedule of Funding Progress Police/Fire Supplemental be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Letter of Transmittal, Board of Trustees, Officers of the University, Report of the President, Total In-State Enrollment by County, and Acknowledgements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The Letter of Transmittal, Board of Trustees, Officers of the University, Report of the President, Total In-State Enrollment by County and Acknowledgements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

We are pleased to present this financial discussion and analysis of Purdue University (the University). It is intended to provide an overview of the financial position and activities of the University for the fiscal years ended June 30, 2018 and 2017, along with comparative financial information for the fiscal year ended June 30, 2016. This discussion has been prepared by management to assist readers in understanding the accompanying financial statements and footnotes.

Financial Highlights

The University's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The University's financial statements, related footnote disclosures, and discussion and analysis have been prepared by University management in accordance with Governmental Accounting Standards Board (GASB) principles.

> ***Statement of Net Position*** is the University's balance sheet. The statement presents the University's financial position by reporting all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the fiscal years. The statement as a whole provides information about the adequacy of resources to meet current and future operating and capital needs. Net position is the residual of all other elements presented in the Statement of Net Position and is one indicator of the current financial condition of the University.
>
> ***Statement of Revenues, Expenses, and Changes in Net Position*** is the University's income statement**.** The statement presents the total revenues earned and expenses incurred by the University during the fiscal year, along with the increase or decrease in net position. This statement depicts the University's revenue streams, along with the categories of expenses supported by that revenue. Changes in net position are an indication of the change in the University's overall financial condition.
>
> ***Statement of Cash Flows*** provides additional information about the University's financial results by presenting detailed information about cash activity during the year. The statement reports the major sources and uses of cash and is useful in the assessment of the University's ability to generate future net cash flows, the ability to meet obligations as they come due, and the need for external financing.

During the fiscal year, Purdue Global, Inc., a blended component unit as discussed in Note 1, completed a transfer of assets from Kaplan Higher Education, which is accounted for under GASB 69, Government Combinations. This expansion, primarily in online education, extends the land grant mission of Purdue to benefit other populations of students, particularly working adult students, who are not located within physical proximity to one of Purdue University's campuses.

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 these functions as they were 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 is necessary to meet its goals and objectives. We suggest that you combine this financial analysis and discussion with relevant non-financial indicators to assess the University's performance. Examples of non-financial data indicators include trend and quality of applicants, freshman class size, student retention, the condition of our facilities, and campus safety metrics. Information about non-financial indicators is not included in this analysis but may be obtained from the University's Office of Institutional Research, Assessment and Effectiveness online at https://www.purdue.edu/datadigest/.

Statement of Net Position

A comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2018, 2017, and 2016, is summarized below.

Table 1

Summary Statement of Net Position (Dollars in Thousands)

	2018	2017	2016
		As Restated	
Current Assets	$ 709,792	$ 649,350	$ 885,552
Capital Assets	2,496,148	2,408,286	2,248,707
Other Assets	2,997,230	2,939,846	2,743,364
Total Assets	6,203,170	5,997,482	5,877,623
Deferred Outflows of Resources	56,841	76,129	68,933
Current Liabilities	459,003	382,335	353,370
Noncurrent Liabilities	1,052,654	1,105,941	1,145,850
Total Liabilities	1,511,657	1,488,276	1,499,220
Deferred Inflows of Resources	36,052	46,811	20,394
Net Investment in Capital Assets	1,552,896	1,454,962	1,316,781
Restricted - Nonexpendable	707,779	652,926	625,253
Restricted - Expendable	951,793	941,110	962,781
Unrestricted	1,499,834	1,489,526	1,522,127
Total Net Position	**$ 4,712,302**	**$ 4,538,524**	**$ 4,426,942**

Assets

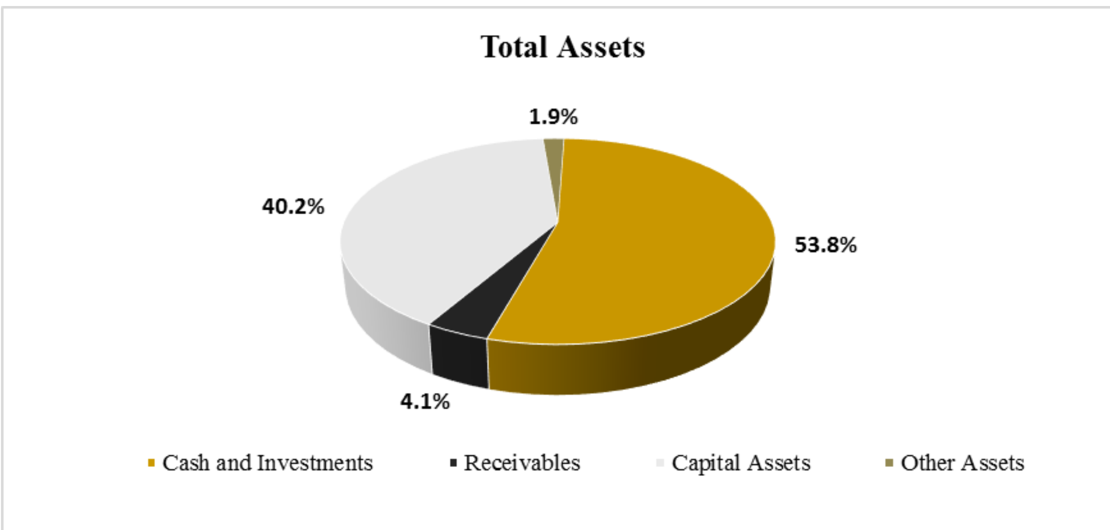
Current assets include those that may be used to support current operations, such as cash and cash equivalents, accounts receivable, and inventories. Capital assets include non-depreciable land, as well as buildings and equipment, net of depreciation. Other assets include pledges receivable, investments, and funds held in trust by others.

Current assets increased approximately $60.4 and decreased $236.2 million during the respective fiscal years, resulting in balances of approximately $709.8 and $649.4 million at June 30, 2018 and 2017. As of June 30, 2018 cash and cash equivalents were approximately $263.5 million, a decrease of approximately $18.8 million from the balance of $282.3 million at June 30, 2017. Included in this amount is $11.3 million at June 30, 2018 and $42.1 million at June 30, 2017, that represent invested bond proceeds related to the University's capital financing activities. The remaining $252.2 million as of June 30, 2018 and $240.2 million as of June 30, 2017 of cash and cash equivalents were available for operations.

Noncurrent assets increased approximately $145.2 million, or 2.7% during fiscal year 2018 and $356.1 million, or 7.1% during fiscal year 2017 due primarily to the acquisition of capital assets and an increase in investments. Please reference a more detailed discussion in the Statement of Revenues, Expenses, and Changes in Net Position section and in Notes 2 and 4.

As of June 30, 2018 and 2017, total assets were approximately $6.2 and $6.0 billion, an increase of $205.7 and $119.9 million, or 3.4% and 2.0% respectively, over the previous year. The overall growth in assets is attributed to an increase in capital assets and investments.

Figure 1 represents the composition of total assets as of June 30, 2018.



Total Assets

(Dollars in Thousands)

Cash and Investments	$	3,338,632	53.8%
Receivables		252,638	4.1%
Capital Assets		2,496,148	40.2%
Other Assets		115,752	1.9%
Total Assets	**$**	**6,203,170**	**100.0%**

Deferred Outflows of Resources

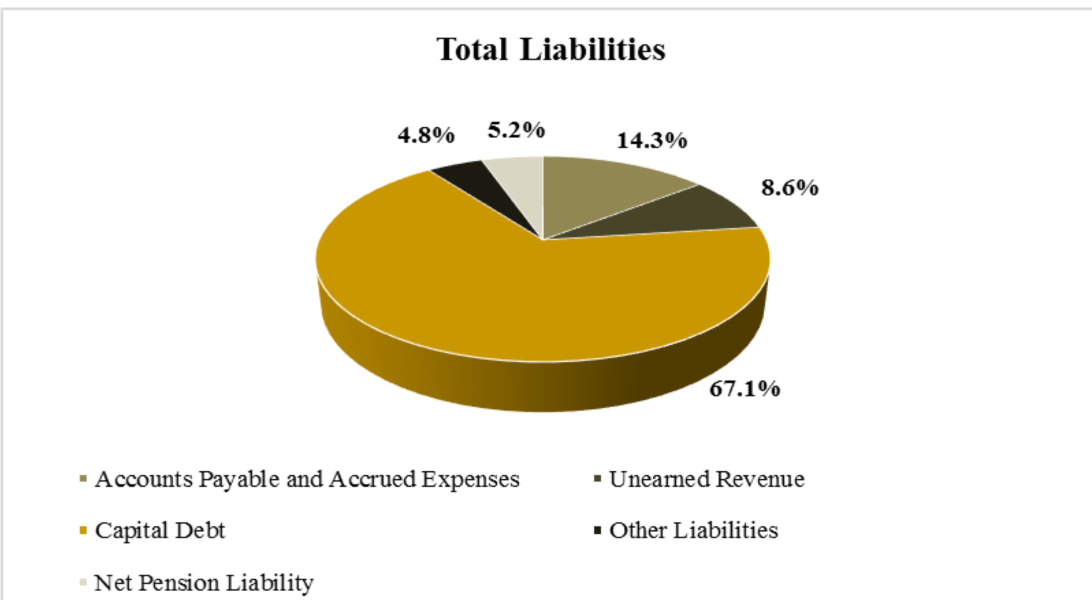
Deferred outflows of resources represent a consumption of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statement of Revenues and Expenses because they are not expense items relating to the current fiscal year, but to future periods. They are not shown on the Statement of Net Position in the Asset section because they are not items the University owns. Instead, they are presented on the Statement of Net Position as deferred outflows to reflect the fact that the recognition of the related expense will happen at a future date. The amounts recorded as deferred outflows for the fiscal years presented result from pension related items and capital debt refunding transactions.

Liabilities

Current liabilities generally are due and payable over the course of the following fiscal year. These include accounts and other payables, unearned revenues, current portion of long-term debt, and salaries along with related compensation payables. Current liabilities include variable-rate demand bonds, although most of the bonds are expected to be paid in future fiscal years. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were approximately $1.5 billion as of June 30, 2018 and 2017.

Bonds, leases, and notes payable decreased by $40.0 million in fiscal year 2018 and decreased $61.3 million in fiscal year 2017, principally due to repayment of debt principal. A discussion of the University's capital financing activities appears in the Debt and Financing Activities section below as well as in Note 6.

Figure 2 represents the composition of total liabilities as of June 30, 2018.



Total Liabilities

(Dollars in Thousands)

Accounts Payable and Accrued Expenses	$	215,624	14.3%
Unearned Revenue		130,642	8.6%
Capital Debt		1,014,463	67.1%
Other Liabilities		72,067	4.8%
Net Pension Liability		78,861	5.2%
Total Liabilities	**$**	**1,511,657**	**100.0%**

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statement of Revenues and Expenses because they are not revenue items relating to the current fiscal year, but to future periods. They are not shown on the Statement of Net Position in the Liability section because they are not items the University owes. Instead, they are presented on the Statement of Net Position as deferred inflows to reflect the fact that the recognition of the related revenue will happen at a future date. The amounts recorded as deferred inflows for the fiscal years presented result from other post employment benefits, charitable remainder trusts, and pension related items.

Net Position

Net position is the residual of all other elements presented in the Statement of Net Position. Net position is classified into four categories:

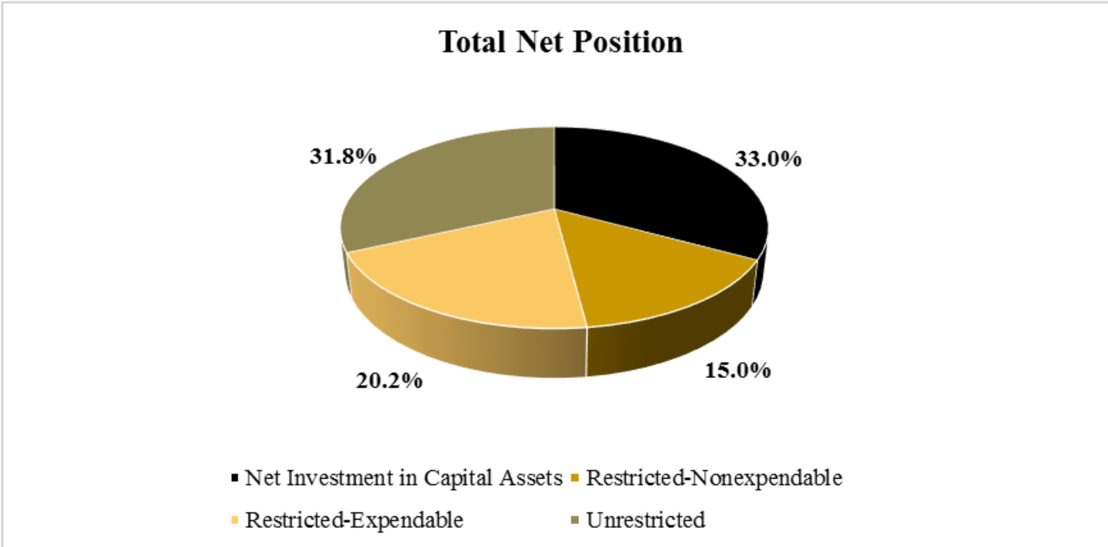
Net Investment in Capital Assets represents the University's investment in capital assets such as moveable equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt.

Restricted–Nonexpendable represents the corpus of the University's permanent endowment received from donors for the purpose of creating present and future income. The corpus must be held inviolate and in perpetuity.

Restricted–Expendable represents the portion of net position that may be spent provided certain third party restrictions are met. Examples include balances from scholarships, grants and contracts, and spendable earnings from endowments.

Unrestricted represents the portion of net position that has no third-party restrictions. Management designates the majority of this balance for specific purposes to fulfill strategic initiatives and operational needs.

Figure 3 represents the composition of net position as of June 30, 2018.



Total Net Position

(Dollars in Thousands)

Net Investment in Capital Assets	$	1,552,896	33.0%
Restricted-Nonexpendable		707,779	15.0%
Restricted-Expendable		951,793	20.2%
Unrestricted		1,499,834	31.8%
Total	**$**	**4,712,302**	**100.0%**

Net investment in capital assets increased $97.9 and $138.1 million in fiscal years 2018 and 2017, respectively. For the periods ended June 30, 2018 and 2017, the University added capital assets of $268.2 and $328.9 million, offset by annual depreciation of $175.8 and $166.7 million, respectively. Additional details are provided in the Capital Asset and Debt Administration section of this analysis.

The restricted-nonexpendable balance increased $54.9 and $27.7 million in fiscal years 2018 and 2017, respectively, primarily resulting from contributions to endowments.

Restricted-expendable balances increased $10.7 million in fiscal year 2018 and decreased $21.7 million in fiscal year 2017, driven by the respective changes in market value of investments.

The unrestricted net position had an increase of $10.3 million in fiscal year 2018. In fiscal year 2017, there was an overall decrease of $32.6 million in unrestricted net positon.

Statement of Revenues, Expenses, and Changes in Net Position

Revenues are classified for financial reporting as either operating or nonoperating. Operating revenues are generated by providing goods and services to our students and other important constituents of the University. Operating revenues include tuition and fees, grants and contracts, and sales and services. Tuition and fees and housing revenue assessed to students are reported gross with the related scholarship allowance presented separately. Nonoperating revenues are those received by the University without providing a corresponding good or service and include our state appropriations, investment income, and private gifts. Because Purdue is a public university, nonoperating revenues are an integral part of the operating budget. Private gifts for capital projects and additions to the University's endowment are also considered nonoperating sources of revenue.

A summarized comparison of the University's revenues, expenses, and changes in net position is presented below.

Table 2

Summary Statement of Revenues, Expenses, and Changes in Net Position (Dollars in Thousands)

	2018	2017 As Restated	2016
Operating Revenues			
Tuition and Fees	$ 1,037,216	$ 902,701	$ 880,699
Less: Scholarship Allowance	(145,279)	(116,391)	(113,897)
Grants and Contracts	376,154	361,969	356,066
Auxiliary Enterprises	301,899	278,390	269,863
Less: Scholarship Allowance	(16,316)	(16,155)	(14,750)
Other Operating Revenues	128,007	119,949	111,245
Total Operating Revenues	1,681,681	1,530,463	1,489,226
Operating Expenses			
Depreciation	175,821	166,704	161,889
Other Operating Expense	2,095,278	1,941,364	1,812,701
Total Operating Expenses	2,271,099	2,108,068	1,974,590
Operating Loss	(589,418)	(577,605)	(485,364)
Nonoperating Revenue	666,681	683,133	511,450
Capital, Endowments, and Special Items	96,515	67,606	80,103
Total Nonoperating Revenues	763,196	750,739	591,553
Increase in Net Position	173,778	173,134	106,189
Net position, Beginning of Year	4,538,524	4,426,942	4,320,753
Prior Period Adjustments	-	(61,552)	-
Net Position, Beginning of Year, as restated	-	4,365,390	-
Net position, End of Year	**$ 4,712,302**	**$ 4,538,524**	**$ 4,426,942**

Figures 4 and 5 provide information about the University's sources of revenues for fiscal years 2018 and 2017. The University had an increase in net position of $173.8 million for fiscal year ended June 30, 2018 as compared to an increase in net position of $173.1 million for fiscal year 2017.

Figure 4: University Revenue by Category for FY 2018

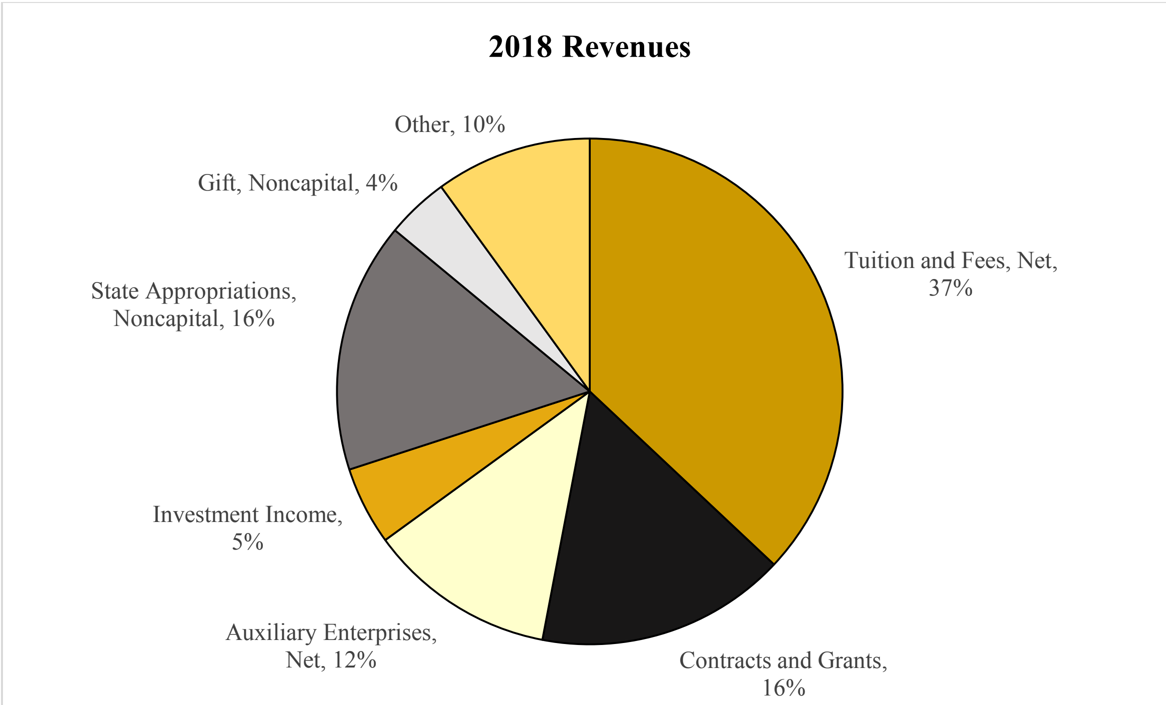
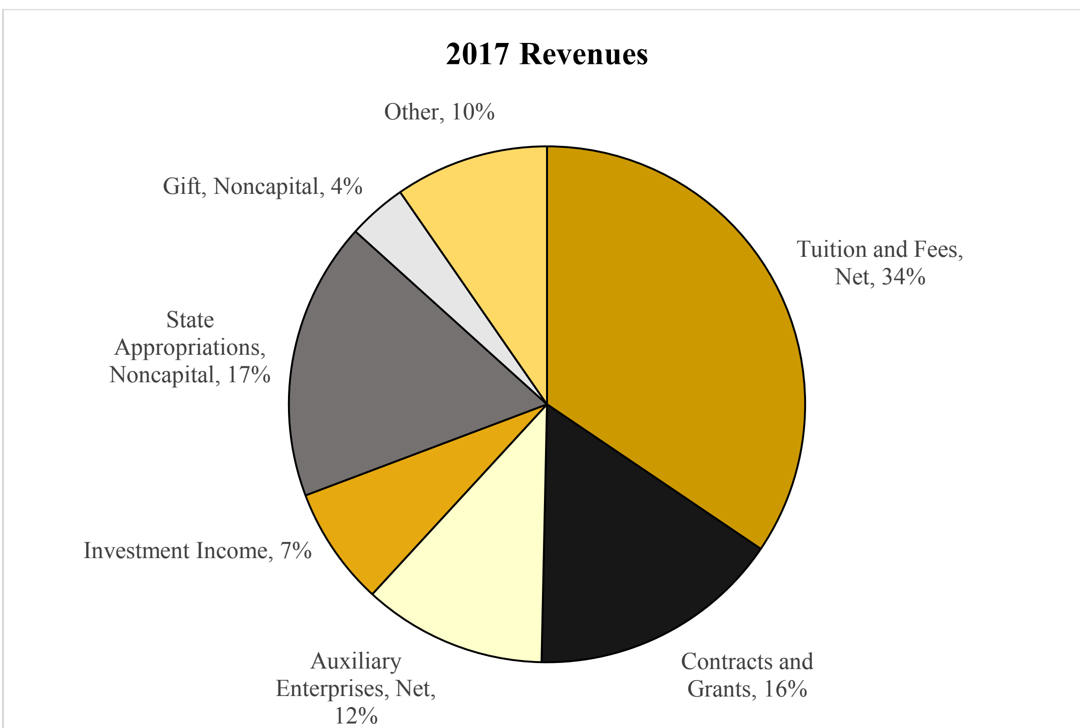
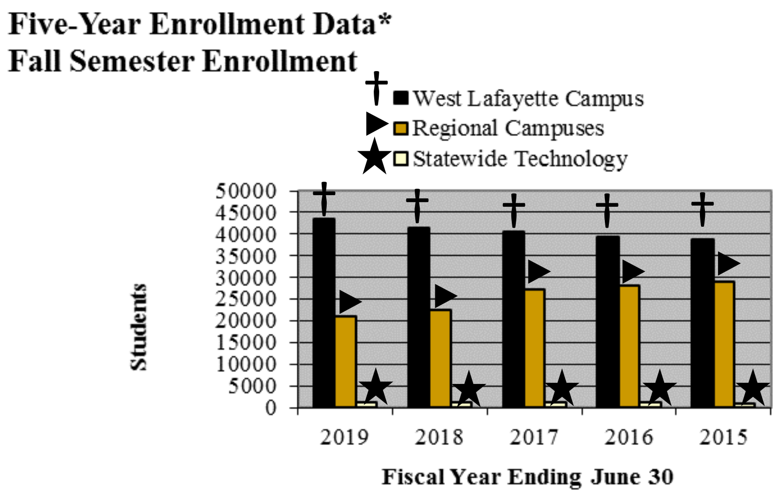


Figure 5: University Revenue by Category for FY 2017



Total operating revenues increased $151.2 million, or 9.9% from fiscal year 2017 to fiscal year 2018. From fiscal year 2016 to fiscal year 2017, total operating revenues increased $41.2 million, or 2.8%. Net tuition and fee revenue increased by $105.6 million in fiscal year 2018, primarily resulting from increased enrollment at the West Lafayette campus, an increase in summer enrollment, and the increase in net tuition and fee revenue from Purdue Global. Enrollment patterns for the University for the past five years are illustrated below.



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

Operating grants and contracts revenue increased $14.2 and $5.9 million in fiscal years 2018 and 2017 respectively, principally due to increases in grant revenue from federal and industrial sponsors.

Total operating expenses for fiscal year 2018 increased by $163.0 million, or 7.7%, over fiscal year 2017. Fiscal year 2017 increased $133.5 million, or 6.8%, from fiscal year 2016. Details are described in Note 8.

Fiscal years 2018 and 2017 non-operating revenues before capital and endowments, net of expenses, decreased by $16.5 and increased $171.7 million respectively, primarily due to investment income related fluctuations in the market. The net investment performance of the University's endowment was 7.8% for fiscal year 2018 using the most recent data available, compared to 11.7% for fiscal year 2017. The endowment was invested in private investments (31.7%), public equities (56.6%), and in fixed income investments (11.7%). The portfolio composition did not materially change from the prior year.

Capital, Endowment, and Special Items income for fiscal year 2018 increased $28.9 million or 42.8% over fiscal year 2017, and decreased $12.5 million or 15.6% between fiscal years 2017 and 2016, primarily due to fluctuations in state capital appropriations, private gifts for endowments, capital gifts, as well as the transfer of operations for Purdue Global.

Statement of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of the University by presenting relevant information about the cash receipts and cash payments of the University during the fiscal year. It assists in determining the University's ability to generate future net cash flows to meet its obligations as they become due and to determine the need for external financing. The Statement of Cash Flows presents sources and uses of cash and cash equivalents in four activity-based categories: operating, noncapital financing, investing, and capital and related financing. Table 3 provides a summarized comparison of the University's sources, uses, and changes in cash and cash equivalents.

Table 3

Summary Statement of Cash Flows (Dollars in Thousands)

	2018	2017	2016
		As Restated	
Cash Used by Operating Activities	$ (381,336)	$ (420,749)	$ (348,832)
Cash Provided by Noncapital Financing Activities	605,794	565,030	589,807
Cash Provided (Used) by Investing Activities	77,158	58,150	(141,103)
Cash Used by Capital and Related Financing Activities	(320,436)	(364,609)	(211,320)
Net Increase (Decrease) in Cash and Cash Equivalents	(18,820)	(162,178)	(111,448)
Cash and Cash Equivalents, Beginning of Year	282,275	444,453	555,901
Cash and Cash Equivalents, End of Year	**$ 263,455**	**$ 282,275**	**$ 444,453**

The cash provided by noncapital financing activities reflects the non-operating revenue changes described above. The cash provided by investing activities in fiscal year 2018 and 2017 represented the return of cash to operations, making those funds available for use in other areas of the University. The fluctuation in cash flows used by capital and related financing activities reflects the financing strategy and timing of the University's capital plan, which is outlined in the Capital Asset and Debt Administration section.

Capital Asset and Debt Administration

Significant Construction Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. Amounts approved by the Board of Trustees for significant construction projects (over $20 million) completed during Fiscal Years 2018 and 2017 are presented in Table 4 and significant projects in progress at June 30, 2018 are presented in Table 5. At June 30, 2018, there were no other significant projects authorized by the Board of Trustees.

Table 4

Significant Construction Projects Completed (Dollars in Thousands)

Projects Completed in 2018		
Flex Lab Facility	$	54,000
Creighton Hall of Animal Sciences and Land O' Lakes Center for Experiential Learning Complex		60,000
Electrical Engineering and Multiple Building Renovations (EGP)		21,725
Football Performance Complex		65,000
Total Significant Construction Projects Completed	**$**	**200,725**

Projects Completed in 2017		
Honors College and Residences	$	90,000
Wilmeth Active Learning Center		66,000
Total Significant Construction Projects Completed	**$**	**156,000**

Table 5

Significant Construction Projects in Progress (Dollars in Thousands)

		Project Budget
Agricultural and Biological Engineering Renovation and Addition	$	80,000
Bioscience Innovation Building		40,500
STEM Teaching Lab Building		64,000
Total Significant Construction Projects in Progress	**$**	**184,500**

Debt and Financing Activities

Bonds, Leases, and Notes Payable totaled $1.01 and $1.05 billion, respectively, as of June 30, 2018 and 2017 and represented approximately 67.1% and 70.9% of the total liabilities of the University, respectively. The University's debt portfolio as of June 30, 2018 consisted of $89.5 million of variable rate instruments (8.8%), compared to $924.9 million in fixed rate obligations (91.2%). As of June 30, 2017, the University’s debt portfolio consisted of $80.3 million of variable rate instruments (7.6%), compared to $974.1 million in fixed rate obligations (92.4%). Additional details about University indebtedness are provided in Note 6.

As of June 30, 2018 and 2017, the University had a credit rating of Aaa from Moody’s Investors Service and AAA from Standard & Poor’s. The University was in a limited group of public higher education institutions with such a credit rating – only eight Universities are so rated by Moody’s and only seven by Standard & Poor’s. In addition, the University’s variable rate debt maintains short-term ratings from Moody’s of Aaa/VMIG-1 and by Standard & Poor’s of A-1+.

Economic Outlook

As a result of the 2017-19 budget and legislative process, fiscal year 2019 state operating appropriations increased by $1.95 million for the University to $323 million, the change being distributed among the campuses as follows: West Lafayette increase of $776,000, Fort Wayne increase of $476,000, and Purdue Northwest increase of $703,000. The State of Indiana provided $22.5 million, in this biennium toward the university's repair and rehabilitation needs, $11.25 million annually. West Lafayette received two new line items for Purdue Moves and Think Summer, totaling $2.5 million in each year of the biennium. The regional campuses received an additional appropriation of $3.5 million to support deferred maintenance. Additionally, IPFW received $1 million for their School of Music.

Academic year 2018-19 tuition rates for both Indiana resident and nonresident students remain flat at the West Lafayette campus for the sixth year in a row. The regional campuses had modest tuition increases for undergraduates as follows: Fort Wayne 1.4% and Purdue Northwest 1.4%. Each campus continues its efforts to identify operational efficiencies, cost savings initiatives and new sources of revenue to supplement its operating budget. Efforts to support student affordability and accessibility remain a high priority as illustrated by the decision to continue holding tuition flat at the West Lafayette campus for a seventh year.

Enrollment at all Purdue campuses was 65,534* for the fall semester of the 2018-2019 academic year. Enrollment at the West Lafayette campus was 43,411 up 1,838 from the fall semester of the prior academic year. First-year students totaled 8,358. Purdue continues to experience record-high retention and graduation rates due to a university-wide commitment to student success. The first-year retention rate at the West Lafayette campus is at 91.9% compared to 91.6% last year, and the second-year retention rate is at 87.4%, as compared to 87.3% last year. The four-year and six-year graduation rates increased to 60.3% and 81.2% from 58.5% and 78.7%, respectively.

The class average new SAT scores were 1,289 on the critical reading, math, and writing sections (on a scale of 400 to 1600). This is an increase of 33 points from the previous year.

The class average SAT scores were 1,708 on the critical reading, math, and writing sections. In ten years, the cumulative point gain for incoming students' SAT scores is 11.

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

Purdue University

Statement of Net Position

As of June 30 (Dollars in Thousands)

	2018	2017 As Restated
Assets and Deferred Outflows of Resources:		
Current Assets:		
Cash and Cash Equivalents	$ 263,455	$ 282,275
Investments	235,874	188,579
Accounts Receivable, Net	108,829	98,871
Pledges Receivable, Net	28,516	22,874
Notes Receivable, Net	8,681	9,051
Other Receivables	5,123	3,054
Other Assets	59,314	44,646
Total Current Assets	**709,792**	**649,350**
Noncurrent Assets:		
Investments	2,839,303	2,798,467
Pledges Receivable, Net	24,651	35,817
Notes Receivable, Net	76,838	48,983
Interest in Charitable Remainder Trusts	20,165	19,236
Funds Held in Trust by Others	36,273	37,343
Capital Assets, Net	2,496,148	2,408,286
Total Noncurrent Assets	**5,493,378**	**5,348,132**
Total Assets	**6,203,170**	**5,997,482**
Deferred Outflows of Resources:		
Debt Refunding	20,485	21,632
Defined Benefit Pension Items	36,356	54,497
Liabilities and Deferred Inflows of Resources:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	148,823	119,039
Unearned Revenue	130,642	73,106
Deposits Held in Custody for Others	3,372	20,103
Accrued Compensated Absences	28,455	26,654
Bonds (net), Leases, and Notes Payable	147,711	143,433
Total Current Liabilities	**459,003**	**382,335**
Noncurrent Liabilities:		
Accrued Compensated Absences	38,346	36,736
Other Post Employment Benefits	46,347	50,033
Net Pension Liability	78,861	82,044
Funds Held in Trust for Others	7,413	7,098
Advances from Federal Government	14,935	19,028
Bonds (net), Leases, and Notes Payable	866,752	911,002
Total Noncurrent Liabilities	**1,052,654**	**1,105,941**
Total Liabilities	**1,511,657**	**1,488,276**
Deferred Inflows of Resources:		
Other Post Employment Benefits	1,695	1,952
Charitable Remainder Trusts	19,206	18,304
Defined Benefit Pension Items	15,151	26,555

Statement of Net Position

As of June 30 (Dollars in Thousands)

(continued from previous page)

	2018	2017 As Restated
Net Position:		
Net Investment in Capital Assets	$ 1,552,896	$ 1,454,962
Restricted:		
Nonexpendable:		
Instruction and Research	359,531	333,422
Student Aid	326,970	299,966
Other	21,278	19,538
Total Nonexpendable	**707,779**	**652,926**
Expendable:		
Instruction, Research and Public Service	215,707	194,095
Student Aid	94,846	103,170
Construction	60,628	68,282
Other	580,612	575,563
Total Expendable	**951,793**	**941,110**
Unrestricted	**1,499,834**	**1,489,526**
Total Net Position	**$ 4,712,302**	**$ 4,538,524**

The Accompanying Notes are an Integral Part of these Financial Statements

Purdue University

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30 (Dollars in Thousands)

	2018	2017 As Restated
Operating Revenues:		
Tuition and Fees	$ 1,037,216	$ 902,701
Less: Scholarship Allowance	(145,279)	(116,391)
Federal Appropriations	20,223	23,661
County Appropriations	8,802	4,514
Grants and Contracts	376,154	361,969
Sales and Services	91,810	83,117
Auxiliary Enterprises	301,899	278,390
Less: Scholarship Allowance	(16,316)	(16,155)
Other Operating Revenues	7,172	8,657
Total Operating Revenues	**1,681,681**	**1,530,463**
Operating Expenses:		
Compensation and Benefits	1,469,602	1,401,010
Supplies and Services	558,063	469,902
Depreciation Expense	175,821	166,704
Scholarships, Fellowships, & Student Awards	67,613	70,452
Total Operating Expenses	**2,271,099**	**2,108,068**
Net Operating Loss	**(589,418)**	**(577,605)**
Nonoperating Revenues (Expenses):		
State Appropriations	398,143	397,705
Grants and Contracts	77,447	50,605
Private Gifts	91,659	83,984
Investment Income	125,711	169,341
Interest Expense	(29,687)	(23,669)
Other Nonoperating Revenues (Net of Nonoperating Expenses of $148 and $148, respectively)	3,408	5,167
Total Nonoperating Revenues before Capital and Endowments	**666,681**	**683,133**
Capital, Endowments, and Special Items:		
State Capital Appropriations	514	27,894
Capital Gifts	24,422	10,865
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	46,192	28,847
Transfer of Operations	25,387	-
Total Capital, Endowments, and Special Items	**96,515**	**67,606**
INCREASE IN NET POSITION	**173,778**	**173,134**
Net Position, Beginning of Year	4,538,524	4,426,942
Prior Period Adjustments	-	(61,552)
Net Position, Beginning of Year, as restated	4,538,524	4,365,390
Net Position, End of Year	**$ 4,712,302**	**$ 4,538,524**

The Accompanying Notes are an Integral Part of these Financial Statements

Purdue University

Statement of Cash Flows

For the Years Ended June 30 (Dollars in Thousands)

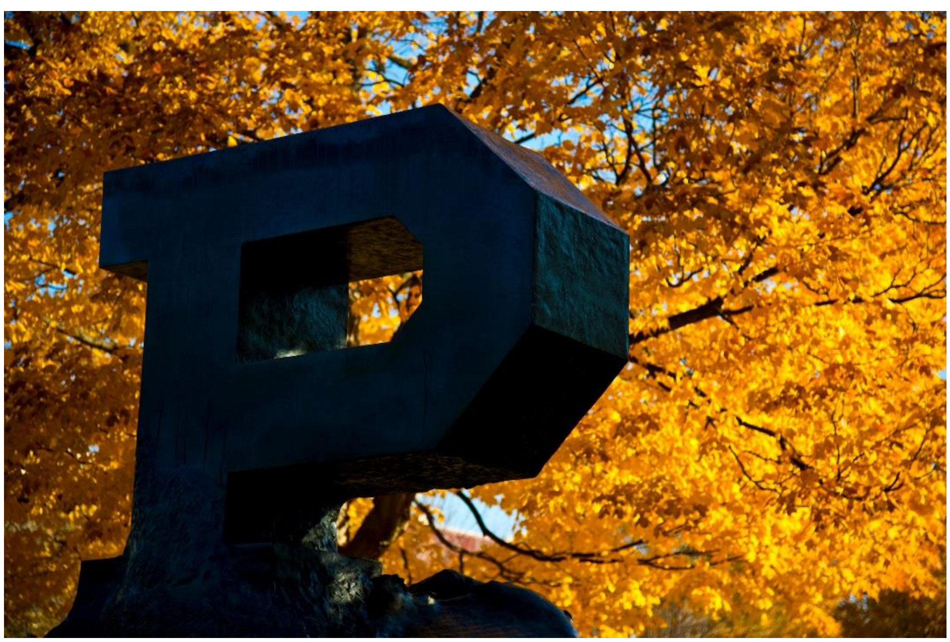
	2018	2017 As Restated
Cash Flows From Operating Activities:		
Tuition and Fees, Net of Scholarship Allowances	$ 886,603	$ 788,889
Federal Grants	20,223	23,661
County Grants	8,802	4,514
Grants and Contracts	377,796	348,429
Sales and Services	95,271	80,008
Auxiliary Enterprises, Net of Scholarship Allowances	287,980	262,061
Other Operating Revenues	3,587	8,438
Compensation and Benefits	(1,474,048)	(1,410,389)
Supplies and Services	(519,716)	(456,284)
Scholarships, Fellowships and Student Awards	(67,282)	(70,607)
Student Loans Issued	(9,972)	(9,611)
Student Loans Collected	9,420	10,142
Cash Used by Operating Activities	**(381,336)**	**(420,749)**
Cash Flows From Noncapital Financing Activities:		
State Appropriations	398,143	397,705
Grants and Contracts	77,447	50,604
Gifts for Other than Capital Purposes	139,774	109,434
Funds Held in Trust for Others	(16,460)	562
Other Nonoperating Revenues, Net	6,890	6,725
Cash Provided by Noncapital Financing Activities	**605,794**	**565,030**
Cash Flows From Investing Activities:		
Purchases of Investments	(4,077,895)	(6,818,333)
Proceeds from Sales and Maturities of Investments	4,076,849	6,811,548
Proceeds from Transfer of Operations	40,467	-
Interest and Dividends on Investments, Net	37,737	64,935
Cash Provided (Used) by Investing Activities	**77,158**	**58,150**
Cash Flows From Capital and Related Financing Activities:		
Debt Repayment	(63,195)	(49,324)
Interest Expense	(41,333)	(35,892)
Capital Gifts Received	10,076	14,458
State Appropriations for Capital Projects	540	33,128
Construction or Purchase of Capital Assets	(226,524)	(326,979)
Cash Used by Capital and Related Financing Activities	**(320,436)**	**(364,609)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(18,820)**	**(162,178)**
Cash and Cash Equivalents, Beginning of Year	282,275	444,453
Cash and Cash Equivalents, End of Year	**$ 263,455**	**$ 282,275**

Statement of Cash Flows

As of June 30 (Dollars in Thousands)
(continued from previous page)

Reconciliation of Cash Used for Operating Activities (Indirect Method)	**2018**	**2017**
		As Restated
Reconciliation of net operating loss to net cash used by operating activities:		
Operating Loss	$ (589,418)	$ (577,605)
Depreciation Expense	175,821	166,704
Noncash investing, capital, and financing activities	380	738
Changes in Assets and Liabilities:		
Accounts Receivable	(10,689)	(15,072)
Notes Receivable	(322)	306
Other Assets	(5,925)	3,466
Accrued Compensated Absences	3,411	976
Other Post Employment Benefits	(3,943)	1,411
Net Pension Liability and Related Deferreds	3,553	(1,901)
Accounts Payable and Accrued Expenses	33,901	(2,661)
Unearned Revenue	15,989	3,239
Advances from Federal Government	(4,094)	(350)
Cash Used by Operating Activities	**$ (381,336)**	**$ (420,749)**

The Accompanying Notes are an Integral Part of these Financial Statements



Note 1 — Basis of Presentation and Summary of Significant Accounting Policies

For the Fiscal Year Ended June 30, 2018

ORGANIZATION:

Established in 1869, Purdue University (the University) is the land-grant University for the state of Indiana. The University is a comprehensive degree-granting research University with 29 schools and colleges on its main campus in West Lafayette and the following regional campuses:

Indiana University-Purdue University Fort Wayne

Purdue University Northwest

Effective July 1, 2018, Indiana University-Purdue University Fort Wayne split the operations between the two Universities. All programs other than Health Sciences remained with Purdue, which is now known as Purdue University Fort Wayne.

In addition to its academic programs offered at the above campuses, the University offers learning and other assistance programs at various other locations in the state of Indiana through:

Purdue Polytechnic Institute Statewide

College of Agriculture Purdue Extension

Technical Assistance Program

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees (the 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 the University. All Trustees serve for a period of three years, except for the student member, who serves for two years.

REPORTING ENTITY:

Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity* as amended by GASB No. 39 *Determining Whether Certain Organizations Are Component Units* and GASB No. 61 *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34* define the financial reporting entity as an entity that consists of the primary government, Purdue University, and all of its component units. Component units are legally separate organizations which have a fiscal dependency and financial benefit or burden relationship with the primary government 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.

Purdue International, Inc. (PII) is a separately incorporated, not-for-profit entity established in 2014 to facilitate the University's international education, research, and exchange activities. In this regard, PII serves as the flagship entity for Purdue's international outreach.

The University is the sole beneficiary of PII and the governing body is substantively the same as the University's governing body. As a result, PII is reported as a blended component unit of the University and consolidated within the University's financial statements. PII is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Purdue University Global, Inc. (PG) is also a separately incorporated entity formed to further the online education offerings in support of Purdue's land grant mission.

The sole corporate member of PG is Purdue University, and PG's Board of Trustees is made up primarily of members who are also members of the Board of Trustees of Purdue University. As a result, PG is reported as a blended component unit of the University and consolidated within the University's financial statements.

There are three discretely presented component units, which are defined as organizations that raise and hold economic resources for the direct benefit of the University. These units are not consolidated within the University's financial statements, but their summary financial information is presented in Note 10 and in a consolidated statement presentation immediately following the University's statements as required by GASB Statement No. 39, as amended by GASB Statement No. 61. All of the current discretely presented component units report 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.

Purdue Research Foundation (PRF) was created in 1930 as a separately incorporated, not-for-profit entity. Its primary purpose is to promote the educational purpose of the University; award scholarships, grants, or other financial assistance to students and faculty; seek, acquire, invest, 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. The economic resources received or held by PRF are entirely, or almost entirely, for the direct benefit of the University; however, the University does not appoint the voting majority of PRF's Board of Directors. As a result, PRF is reported as a discretely presented component unit. PRF is an exempt organization under Section 501(c) (3) of the Internal Revenue Code. PRF includes several wholly owned subsidiary LLC corporations, all of which support the purposes of PRF and the University. PRF also includes the wholly owned subsidiary McClure Park, LLC, which is a for-profit Indiana corporation that was formed to acquire, construct, lease, operate, convey, and mortgage real estate and personal property of every kind and any interest therein. McClure Park wholly owns single member limited liability subsidiaries and participates in several limited liability corporations primarily accounted for using the equity method. Complete financial statements for the foundation can be obtained by writing to: Purdue Research Foundation, 1281 Win Hentschel Blvd, West Lafayette, IN 47906.

Ross-Ade Foundation was created in 1923 as a separately incorporated, not-for-profit entity. The Ross-Ade Foundation constructs athletic and parking facilities on behalf of the University. The Ross-Ade Foundation provides services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefits the University even if it does not provide services directly to it. The University appoints the voting majority of the Ross-Ade Foundation's Board of Directors, but it is not substantively the same as the University's Board of Directors. As a result, the Ross-Ade Foundation is reported as a discretely presented component unit. The Ross-Ade Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Complete financial statements for the foundation can be obtained by writing to: Ross-Ade Foundation, 1281 Win Hentschel Blvd, West Lafayette, IN 47906.

IPFW Foundation was created in 1958 to promote the educational purposes of Indiana University-Purdue University Fort Wayne. The IPFW Foundation accomplishes that purpose by owning and leasing land and buildings, receiving gifts of money or property, and investing, transferring, or leasing personal or real property for educational or charitable purposes. The IPFW Foundation provides services entirely to the University or otherwise exclusively benefits the University even if it doesn't provide services directly to it; however, the University does not appoint the voting majority of the IPFW Foundation's Board of Directors. As a result, the IPFW Foundation is reported as a discretely presented component unit. The IPFW Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Complete financial statements for the foundation can be obtained by writing to: IPFW Foundation, c/o Matt Whitney, 2101 East Coliseum Blvd., KT G06, Fort Wayne, IN 46805-1499.

The University has an association with Indiana University-Purdue University Indianapolis for which it is not financially accountable nor does it have primary access to the resources. Accordingly, this organization has not been included in the University's financial statements.

RELATIONSHIP TO THE STATE OF INDIANA:

As one of seven public universities in the state, the University is a discrete component unit of the state of Indiana with its financial results being included in the State's Comprehensive Annual Financial Report. The University receives funding from the state for operations, repair and maintenance, construction, and debt service. A segment of its nonexempt employees participate in the state's public employees' retirement program.

TAX-EXEMPT STATUS:

The income generated by the University, as an instrument of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2018 and 2017.

BASIS OF PRESENTATION:

The financial statements of the University have been prepared in accordance with the principles contained in GASB Statement No. 34 *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* as amended by GASB Statement No. 35 *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*.

During fiscal year 2018, the University adopted GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB),* and GASB Statement 81 *Irrevocable Split-Interest Agreements.*

The effect of GASB Statement 75:

This Statement establishes requirements for reporting the liability related to postemployment benefits other than pensions, and is an update to the previous requirements in GASB 45 and GASB 57. A restatement was needed to record the Total OPEB liability required under GASB 75 as opposed to the Net OPEB Obligation, which was previously required to be reported under GASB 45.

The effect of GASB Statement 81:

This statement provides guidance for irrevocable split-interest agreements, and requires the recognition of assets and deferred inflows of resources at fair value. Previously revenue was recognized for an estimated value of future cash flows. The restatement changes the fiscal year 2017 charitable remainder trust receivable and adds a deferred inflow, both to reflect fair market values. It also decreases the fiscal year 2017 Net Position to remove earnings previously recognized.

During fiscal year 2017, the University adopted GASB Statement 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14,* and GASB *Statement* 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.*

The effect of GASB Statement 73:

This Statement establishes requirements for defined benefit pensions and defined contribution pensions that were not within the scope of GASB 68. Additional disclosures required by this GASB are presented in Note 9 and Required Supplementary Information related to pensions.

The effect of GASB Statement 80:

This statement provides additional guidance on reporting component units. No changes were necessary to the current presentation as a result of this additional guidance.

The effect of GASB Statement 82:

This statement amends Statements 67 and 68 to change the covered payroll presented in the disclosures. The required disclosures under this GASB are reported in Note 9.

BASIS OF ACCOUNTING:

The University is considered a special-purpose government engaged only in business-type activities for financial reporting purposes. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. Eliminations have been made to prevent the double counting of internal activities.

The University applies all applicable GASB pronouncements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents. Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit card deposits in transit, unspent debt proceeds, and certain investments with original maturities of three months or less. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates. Investments exclusive of endowment funds that are included in cash equivalents represent short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity date that they present insignificant risk of changes in value due to changes in interest rates.

Investments. Investments, exclusive of institutional physical properties, are generally reported at fair value. Fair value is generally based on quoted market prices as of June 30, 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 the 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. Investments, exclusive of endowment funds, may be classified current or noncurrent, depending on the individual investment's maturity date at June 30. Endowment funds are included in noncurrent investments.

Accounts Receivable. Accounts receivable primarily represent grant, contract, and student payments due to the University and are shown net of an allowance for doubtful accounts.

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.

Notes Receivable. Notes receivable primarily consist of student loans due to the University and are shown net of allowance for doubtful accounts.

Other Receivables. Other receivables represent state and federal appropriations receivable.

Other Assets. Other assets include the following types of assets:

> Inventories. Inventories principally consist of consumable supplies and items held for resale or recharge within the University, and are valued using a variety of methods, including first in first out (FIFO), weighted average and moving average, depending upon the type of inventory. Agricultural commodities are reported using the consumption method, measured by physical count and are stated at market value.
>
> Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to future fiscal years. These services include insurance, operating leases, services of consultants, subscriptions, and certain subcontracts.

Interest in Charitable Trusts and Contracts. The University and PRF act as trustees for certain endowments and trust funds, for which they or others have beneficiary interests. In addition, the University and PRF have beneficiary interests in insurance contracts and gift annuity programs.

Various revocable and irrevocable trusts established for the benefit of the University, PRF, the former Purdue Alumni Foundation, and affiliates exist where PRF acts as trustee, commonly referred to as the PRF Trust Funds. 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 Trust Funds' charitable remainder trusts at fair value. 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.

The University receives certain charitable contributions from donors which, in accordance with the donors' wishes, are used for annual premium payments toward insurance contracts for which the University is a beneficiary.

Funds Held in Trust by Others. Funds held in trust by others represent University assets being held in trust for the University by another party. During fiscal year ended June 30, 2016, the University entered into a crossover refunding transaction, where the crossover refunding funds are being held in escrow in an irrevocable trust by the trustee. See Note 6 for additional details.

Capital Assets. Capital assets are stated at cost at the date of acquisition or at fair market value for capital assets donated to the University at the date of gift. Items are capitalized when their value exceeds the threshold shown in the following table and its estimated useful life is greater than one year.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. During fiscal years 2018 and 2017, interest incurred during the construction phase was included as part of the value of the construction in progress. GASB 89, issued in June 2018, will remove the requirement to capitalize interest on construction projects.

Assets under capital leases are capitalized when valued over $500,000 and recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

The University does not capitalize works of library collections and 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.

Depreciation is computed on a straight-line basis over the estimated useful life, as shown in the following table. Capital assets are removed from the records at the time of disposal.

Property Class	Threshold	Useful Life
Land	$100,000	Not depreciated
Land Improvements	$100,000	5-25 years
Infrastructure	$100,000	5-25 years
Buildings and Related Components	$100,000	10–50 years
Moveable Equipment (including fabricated equipment)	$5,000	More than one year
Intangible Assets (software)	$500,000	7 years

Unearned Revenue. Unearned revenue consists of amounts received in advance of an event, such as student tuition, amounts received from grant sponsors not yet earned, and advance ticket sales related to future fiscal years.

Deposits Held In Custody for Others. Deposits of affiliates and others represent cash and invested funds held by the University as a result of agency relationships with various groups and individuals.

Accrued Compensated Absences. Liabilities for compensated absences are recorded for vacation leave based on actual amounts earned as of the end of the fiscal year. 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, accrued vacation is payable upon termination. Upon meeting the definition of an official University retiree, benefits-eligible clerical and service staff receive cash payments for a portion of their accrued sick leave. An estimate of sick leave liability is recorded for the clerical and service staff based on historical payouts. The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

Net Pension Liability and Related Items. The University participates in the Public Employees' Retirement Fund (PERF), an employer cost sharing plan managed by the Indiana Public Retirement System (INPRS). The University's net pension liability, associated deferred outflows and deferred inflows of resources, and pension expense are reported in conformance with GASB 68, using the information reported by INPRS related to our allocated share of these items.

Funds Held In Trust for Others. The University reports liabilities to other beneficiaries related to endowments where the University serves as trustee for the component unit or related party.

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

> **Net Invested in Capital Assets**. Represents resources resulting from capital acquisition or construction, net of accumulated depreciation, and net of related debt. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
>
> **Restricted–Nonexpendable**. This is the portion of net position subject to externally imposed stipulations that the funds be maintained inviolate and in perpetuity. Such assets include the corpus of the University's permanent and term endowments and are categorized as instruction and research, student aid, and other.
>
> **Restricted–Expendable.** Represents net position that may be spent provided certain third-party restrictions are met. The following categories of restricted–expendable net position are presented: instruction, research, and public service; student aid; construction; and other. A significant portion of the "Other" category is related to undistributed gains of donor-restricted balances on endowments or quasi-endowments.
>
> **Unrestricted.** Unrestricted net position is the balance 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 position for academic and capital purposes.

Deferred Outflows and Inflows of Resources. In addition to Assets, Liabilities, and Net Position, shown in a separate section of the Statement of Net Position are Deferred Outflows and Inflows of Resources, which represent a consumption or an acquisition of resources not requiring any further exchange of goods and services, but which are applicable to future periods. Expense or Revenue related to these deferred items will be appropriately recognized in future reporting periods.

Intra-University Transactions. Intra-university 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.

Classification of Revenues and Expenses. The University has classified revenues and expenses as operating or non-operating based upon the following criteria:

> **Operating Revenues.** Revenues derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that result from exchange transactions. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. Examples 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.
>
> **Operating Expenses.** Expenses paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Examples include compensation and

benefits, travel, and supplies. Graduate, staff, staff dependent, and staff spouse fee remissions are included with compensation and benefits. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Position. Functional classification reporting appears in Note 8. Indirect expenses, such as depreciation, are not allocated across functional categories.

Nonoperating Revenues and Expenses. Revenues and related expenses that do not meet the definition of operating revenues, capital revenues, or endowment additions. These revenues and expenses are primarily derived from activities that are classified as non-exchange transactions, and from activities defined as such by the GASB cash flow standards. Examples include state appropriations, private gifts, investment income, and certain federal financial aid. Nonoperating expenses primarily include interest on short-term and long-term borrowing.

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

Tuition and Fees. Tuition and fees assessed to students are reported gross with the related scholarship discount and allowance presented below in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances represent the value of scholarships, grants, and various other types of aid provided by the University. Student loans are not included in this calculation. Student aid applied to housing is shown as an allowance, presented below auxiliary revenues. Aid paid 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. Monies 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. Revenue from gifts-in-kind of approximately $17,599,000 and $3,553,000 was recognized during the years ending June 30, 2018 and 2017, respectively.

Prior Period Adjustments. The implementation of GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* required a prior period adjustment of $19,177,000 to recognize the total OPEB liability associated with the University's other post employment benefits. Also, the implementation of GASB Statement 81 *Irrevocable Split-Interest Agreements* required a prior period adjustment of $8,502,000 in Net Position, an increase in the Interest in Charitable Remainder Trusts by $9,802,000, and a Deferred Inflows of Resources of $18,304,000. In addition, a change in grant revenue recognition policy resulted in a prior period adjustment of $33,873,000, an increase in fiscal year 2017 Grants and Contracts revenue of $1,065,000, and an increase of $32,808,000 in Unearned Revenue.

Reclassifications. Certain reclassifications have been made to prior year statements and certain notes for comparative purposes and do not constitute a restatement of prior periods.

Use of Estimates. Management uses estimates and assumptions in the preparation of the financial statements to conform with generally accepted accounting principles. These estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 — Deposits and Investments

Purdue University Deposits and Investments. Authorization for investment activity is stated in Indiana Code IC 21-29-2-1. Additionally, the Bylaws of the Trustees, revised and amended on February 12, 2015, authorize the Treasurer of the Trustees to implement investment activity. Except for some investments that are separately held in accordance with donor restrictions or bond covenants, the University investments are managed under guidance from two separate policies, the Purdue Investment Pool – Cash (PIPC) policy, and the Purdue Endowment Investment Policy (PIP), both of which are endorsed by the Trustees.

At June 30, the University had the following deposits and investments (dollars in thousands):

Investment Type	June 30, 2018	June 30, 2017
SEPARATELY HELD INVESTMENTS:		
Land Grant Cash Held by State Treasurer	$ 340	$ 340
US Equity	51,540	49,085
Public Real Estate	1,601	1,628
US Agencies	-	5
Venture Capital/Private Equity	552	808
Short Term Investments	68,572	2,958
BOND PROCEEDS INVESTED:		
Short Term Investments	11,333	42,137
PIPC:		
Short Term Investments	175,752	233,678
Fixed Income:		
Asset-Backed Securities	88,829	39,121
Corporate Bonds	491,108	446,775
Mortgage-Backed Securities	308,404	273,114
US Agencies	30,817	57,037
US Treasuries and Securities	430,283	548,410
PIP:		
Short Term Investments	34,803	27,315
US Equity	459,500	399,331
International Equity	261,211	247,988
Fixed Income	161,743	143,299
Emerging Markets	97,102	107,104
Marketable Alternatives	181,224	221,980
Public Real Estate	105,361	88,013
Private Real Estate	41,798	45,885
Public Natural Resources	25,857	16,029
Private Natural Resources	72,488	72,571
Venture Capital/Private Equity	238,414	204,710
Total	**$ 3,338,632**	**$ 3,269,321**

The University’s investment values included accumulated unrealized gains of approximately $204,919,000 and $183,532,000 as of June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, the investment income included unrealized gains of approximately $21,387,000 and $22,513,000, respectively.

As of June 30, 2018 and 2017, the University had approximately $290,442,000 and $278,971,000 of PIPC assets invested in, and shown as part of the PIP investment. In addition, the bank balance of the University's deposits (demand deposit accounts) as of June 30, 2018 and 2017, was approximately $1,403,000 and $102,600,000, respectively. Federal depository insurance covered $250,000 of demand deposits and the remaining balance was insured by the state of Indiana's Public Deposit Insurance Fund, which covers all public funds held in approved depositories. Cash and Cash Equivalents at Purdue Global consist of funds held in checking, savings, and money market accounts. Balances, excluding money market funds, at June 30, 2018 were approximately $21,200,000. Federal depository insurance covered $500,000 and the remaining balance is uninsured and uncollateralized. Purdue Global evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with acceptable estimated risk levels are used as depositories.

Purdue University Investment Policies.

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 Purdue Board of Trustees adopted the Purdue Investment Pool – Cash (PIPC) investment policy on May 15, 2015. The primary investment objectives of PIPC are 1) the preservation of capital, 2) the maximization of returns within acceptable levels of risk, and 3) management of liquidity requirements. Authorized investments include obligations of the United States (US) government, its agencies, and its instrumentalities; asset-backed and mortgage-backed securities (rated at least AAA or equivalent); corporate notes, corporate bonds, 144A bonds and Yankee bonds (rated investment grade) with demonstrated liquidity and marketability; pooled funds including mutual funds and common trust funds; high-yield bonds, include corporate bonds and bank loans (minimum credit quality of Ba3/BB-); investments managed under the University's endowment investment policy and the PIPC Loan Program supporting projects that are consistent with the mission to support the University and result in a public or charitable benefit or use for the University or its students.

Investments in PIPC shall be diversified, resulting in a portfolio weighted average duration of between two and five years, with an overall credit rating of “AA” as rated by a nationally recognized rating agency such as Moody’s or Standard and Poor’s, assuming the credit worthiness of the United States of America is AAA. If the United States of America is downgraded the portfolio’s overall credit rating may fall in tandem and still be considered in compliance with this policy. Bonds rated BBB or lower will not exceed 20% of the portfolio. Funds not required to meet cash needs will be invested over a longer-term horizon.

The Purdue Endowment Investment Policy (PIP) outlining the parameters for endowment investments was updated on November 15, 2017. Authorized investments include equity, fixed income and alternative investments, including comingled investments. The overall policy objective is to generate real returns greater than its spending rate over the long term. The policy sets forth a diversified approach by and within the asset classes with the balanced goal of maximizing return and preserving purchasing power. Moreover, a single manager or affiliated groups of managers will not represent more than 10% of the total endowment's market value. As a partial hedge against prolonged economic contraction, the University has adopted a target allocation of 10% for fixed income.

Portfolios will be invested in securities that result in a weighted average credit quality rating of at least AA or better with no single fixed income manager having more than 10% of its portfolio in obligations rated less than BBB or its equivalent by Moody's or Standard & Poor's. Any commercial paper in the portfolio must be rated A-1/P-1 by each rating service rating said credit. Any Bankers acceptances and certificates of deposits in the portfolio must be issued by banks having a Keefe, Bruyette & Woods rating of A, A/B, or B.

Interest Rate and Credit Rate Risks.

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment.

In accordance with the PIPC, the University manages its exposure to changes in fair values by limiting the weighted average maturity of its investment portfolio to between 2 and 5 years.

The PIP, as a long-term pool of capital, has a fixed income policy target of 10% but does not limit the maturity of the individual holdings as a means to manage interest rate risk.

The University had the following fixed-income investments and maturities (dollars in thousands):

June 30, 2018	**Maturity**				
Investment Type	**0–1 year**	**1–5 years**	**6–10 years**	**>10 years**	**Totals**
PIPC:					
Asset-Backed Securities	$ 436	$ 75,334	$ 2,456	$ 10,603	$ 88,829
Corporate Bonds	77,655	313,065	61,584	38,804	491,108
Mortgage-Backed Securities	42,407	49,993	37,512	178,492	308,404
US Agencies	1,867	10,336	12,219	6,395	30,817
US Treasuries and Securities	146,730	226,044	43,415	14,094	430,283
PIP:					
Fixed Income and other	28,907	85,187	25,521	33,298	172,913
Total	$ 298,002	$ 759,959	$ 182,707	$ 281,686	$ 1,522,354

June 30, 2017	**Maturity**				
Investment Type	**0–1 year**	**1–5 years**	**6–10 years**	**>10 years**	**Totals**
Separately Managed US Agencies	$ 5	$ -	$ -	$ -	$ 5
PIPC:					
Asset-Backed Securities	1,531	25,918	6,591	5,081	39,121
Corporate Bonds	70,875	273,390	63,493	39,017	446,775
Mortgage-Backed Securities	39,437	47,954	29,022	156,701	273,114
US Agencies	12,951	10,844	24,428	8,814	57,037
US Treasuries and Securities	110,587	382,638	37,162	18,023	548,410
PIP:					
Fixed Income and other	18,452	75,790	21,902	29,418	145,562
Total	$ 253,838	$ 816,534	$ 182,598	$ 257,054	$ 1,510,024

The distribution of investments by credit ratings is summarized below (dollars in thousands):

	June 30, 2018	% of Total	June 30, 2017	% of Total
Separately Held:				
A	$ -	-	$ 5	100.00%
Total Separately Held	-	-	5	100.00%
PIPC:				
A	267,894	19.85%	189,517	13.89%
AA	35,964	2.67%	42,749	3.13%
AAA	815,988	60.47%	901,107	66.04%
BA	18,993	1.41%	20,207	1.48%
BAA	125,961	9.33%	144,583	10.60%
Unrated	84,641	6.27%	66,294	4.86%
Total PIPC:	1,349,441	100.00%	1,364,457	100.00%
PIP:				
A	38,990	22.55%	22,232	15.27%
AA	6,897	3.99%	5,535	3.80%
AAA	92,068	53.24%	88,661	60.91%
BA	3,296	1.91%	2,927	2.01%
BAA	20,054	11.60%	18,324	12.59%
Unrated	11,608	6.71%	7,883	5.42%
Total PIP	172,913	100.00%	145,562	100.00%
Total	**$ 1,522,354**		**$ 1,510,024**	

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. Therefore, exposure arises if the securities are uninsured, not registered in the University’s name, and are held by either the counterparty to the investment purchase or the counterparty’s trust department or agent but not in the University’s name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security.

All Separately Held and PIPC investments were maintained either in Purdue University accounts or Purdue Global accounts at custodial banks with the exception of $340,000 at both June 30, 2018 and 2017 which was held in the State's name. All PIP investments are held at PRF including private placements and investments in limited partnerships which totaled approximately $533,924,000 and $545,146,000 respectively at June 30, 2018 and 2017.

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 University. Please refer to the Investment Type table for the University's exposure to international investments. In addition to those investments, the University estimates its international exposure in its PIP alternative investments was approximately $44,315,000 and $68,991,000 as of June 30, 2018 and 2017, respectively.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of June 30, 2018 and 2017, no more than 5% of total investments were with any single issuer, except U.S. Treasury and Agencies, consistent with policy limits.

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 Trustees establish the spending policy for the unitized endowment pool. The approved spending policy distributed up to 5% of the average of the ending values for the prior twelve quarters in semiannual distributions. The distribution includes both income and equity components.

As of June 30, 2018 and 2017, accumulated market appreciation of the PIP pool was approximately $464,673,000 and $435,338,000, respectively. Of this amount, 42.84% and 42.37% represents appreciation attributable to donor-restricted (true and term) endowments during the year ended June 30, 2018 and 2017, respectively. 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 Trustees may authorize expenditure — consistent with donors' intent — of net appreciation in the fair value of the assets of the endowment.

Interest in Charitable Trusts. As of June 30, 2018 and 2017, the PRF PIP investment pool includes the following PRF Trusts assets (dollars in thousands).

	Assets at Fair Value	
	June 30, 2018	**June 30, 2017**
University	$ 19,206	$ 18,304
PRF	40,216	41,699
Other Affiliates	253	253
Total	**$ 59,675**	**$ 60,256**

As of June 30, 2018 and 2017, the University PIP investment pool includes endowment assets of approximately $7,241,000 and $7,098,000, offset by Funds Held in Trust obligations to the other beneficiaries.

The University also has beneficiary interest in insurance contracts of $959,000 and $933,000, respectively, as of June 30, 2018 and 2017.

PRF Investments. PRF manages the investment of the PIP on behalf of the University. The fair value of all PRF investments, inclusive of the $1,679,501,000 of the University's PIP, at June 30, 2018 and 2017 is as follows (dollars in thousands):

Investment Type	June 30, 2018	June 30, 2017
Short-Term Investments	$ 5,312	$ 6,732
U.S. Equity	26,494	25,057
Fixed Income	7,621	7,310
Venture Capital	473	394
Pooled Funds:		
Short-Term Investments	130,331	83,398
U.S. Equity	694,408	618,934
International Equity	394,435	384,071
Fixed Income	252,246	230,843
Funds Invested with University	-	14,085
Emerging Markets	146,626	165,877
Public Real Estate	159,097	136,310
Private Real Estate	59,311	66,978
Public Natural Resources	39,044	24,825
Private Natural Resources	109,458	112,394
Hedge Funds	273,652	343,793
Venture Capital/Private Equity	360,011	317,045
Total	**$ 2,658,519**	**$ 2,538,046**

Fair Value Disclosures

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the University's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The GASB 72 accounting standard for disclosure describes three levels of inputs that may be used to measure fair value, as indicated below:

Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2. Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3. Significant unobservable inputs that reflect a reporting entity's own assumptions.

Net Asset Value (NAV). Certain investments are valued using the net asset value (NAV), or its equivalent, provided by the fund as a practical expedient. Those investments include pooled equities, marketable alternative assets, and partnerships and are excluded from the valuation hierarchy.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The fair values of investments that are readily marketable, such as equities, government securities and money market funds, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing for mutual funds and bonds (Level 2 inputs).

Assets and Liabilities measured at fair value on a recurring basis are summarized below (dollars in thousands):

	Fair Value Measurements at June 30, 2018				
Investment Type	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
SEPARATELY HELD INVESTMENTS:					
Land Grant Cash Held by State Treasure	$ -	$ 340	$ -	$ -	$ 340
US Equity	51,540	-	-	-	51,540
Public Real Estate	-	-	1,601	-	1,601
Venture Capital/Private Equity	-	-	552	-	552
Short Term Investments	68,572	-	-	-	68,572
BOND PROCEEDS INVESTED:					
Short Term Investments	11,333	-	-	-	11,333
PIPC:					
Short Term Investments	175,752	-	-	-	175,752
Fixed Income:					
Asset-Backed Securities	-	88,829	-	-	88,829
Corporate Bonds	-	491,108	-	-	491,108
Mortgage-Backed Securities	-	308,404	-	-	308,404
US Agencies	-	30,817	-	-	30,817
US Treasuries and Securities	430,283	-	-	-	430,283
PIP:					
Short Term Investments	34,786	-	17	-	34,803
US Equity	284,482	17,766	-	157,252	459,500
International Equity	220,324	-	-	40,887	261,211
Fixed Income	34,948	126,795	-	-	161,743
Emerging Markets	69,312	-	-	27,790	97,102
Marketable Alternatives	-	-	112,764	68,460	181,224
Public Real Estate	105,361	-	-	-	105,361
Private Real Estate	172	-	41,626	-	41,798
Public Natural Resources	25,857	-	-	-	25,857
Private Natural Resources	-	-	72,488	-	72,488
Venture Capital/Private Equity	-	8,490	229,924	-	238,414
Total	**$ 1,512,722**	**$ 1,072,549**	**$ 458,972**	**$ 294,389**	**$ 3,338,632**

Investment Type	Fair Value Measurements at June 30, 2017 Level 1	Level 2	Level 3	NAV	Total
SEPARATELY HELD INVESTMENTS:					
Land Grant Cash Held by State Treasure	$ -	$ 340	$ -	$ -	$ 340
US Equity	49,085	-	-	-	49,085
Public Real Estate	-	-	1,628	-	1,628
US Agencies	-	5		-	5
Venture Capital/Private Equity	-	-	808	-	808
Short Term Investments	2,958	-	-	-	2,958
BOND PROCEEDS INVESTED:					
Short Term Investments	42,137	-	-	-	42,137
PIPC:					
Short Term Investments	233,678	-	-	-	233,678
Fixed Income:					
Asset-Backed Securities	-	39,121	-	-	39,121
Corporate Bonds	-	446,775	-	-	446,775
Mortgage-Backed Securities	-	273,114	-	-	273,114
US Agencies	-	57,037	-	-	57,037
US Treasuries and Securities	539,638	8,772	-	-	548,410
PIP:					
Short Term Investments	25,170	-	2,145	-	27,315
US Equity	293,241	13,360	-	92,730	399,331
International Equity	212,284	-	-	35,704	247,988
Fixed Income	47,810	95,489	-	-	143,299
Emerging Markets	66,661	-	-	40,443	107,104
Marketable Alternatives	-	-	109,309	112,671	221,980
Public Real Estate	88,013	-	-	-	88,013
Private Real Estate	-	-	45,885	-	45,885
Public Natural Resources	16,029	-	-	-	16,029
Private Natural Resources	-	-	72,571	-	72,571
Venture Capital/Private Equity	-	9,238	195,472	-	204,710
Total	**$ 1,616,704**	**$ 943,251**	**$ 427,818**	**$ 281,548**	**$ 3,269,321**

Short Term Investments. Short Term Investments include cash and cash equivalents valued at cost, which approximates fair value. Investments in this category are valued at the quoted market price reported on the active market on which the individual securities are traded on the last day of the business year (Level 1 inputs). There are also investments where cash is held in a financial institution or investment account (Level 2 or Level 3 inputs).

U.S. Equity. Equity investments are generally in separately managed accounts principally invested in common stocks. The fair values of common stocks are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The University also has equity investments in commingled funds that are valued using NAV under the market approach. These investments are able to be redeemed on a short-term basis (Level 2 inputs).

Fixed Income. Fixed income investments include U.S. government bonds and corporate debt valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Government agency and asset-backed securities are valued without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities or on models using market information (Level 2 inputs). The University also has fixed income investments held in commingled funds that are valued using NAV under the market approach. These investments are able to be redeemed on a short-term basis (Level 2 inputs).

International Equity. Non-U.S. equity investments are generally in separately managed accounts principally invested in common stocks. The fair values of common stocks are determined by obtaining quoted prices on globally recognized securities exchanges (Level 1 inputs). The University also has an equity investment in a commingled fund that is valued using NAV under the market approach. This investment is able to be redeemed on a short-term basis (Level 2 inputs). There are no unfunded future commitments to these investments.

Emerging Markets. Equity investments held in common stock of developing countries. The fair values of common stocks are determined by obtaining quoted prices on globally recognized securities exchanges (Level 1 inputs). The University also has an equity investment held in a commingled fund that is valued using NAV under the market approach. This investment is able to be redeemed on a short-term basis (Level 2 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

Marketable Alternatives. Marketable Alternatives include Hedge funds which are investments that employ a variety of strategies including US and global long/short, event and diversified arbitrage. The funds seek to generate positive risk-adjusted returns across a range of market environments. A NAV is used to determine the fair value. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the market approach, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. Redemptions may be made monthly, quarterly, or annually with notice periods ranging from 30 to 90 days. In a few instances, however, lock-ups of up to two years are in place, or the fund balance is in illiquid side pocket investments (Level 3 inputs).

Public Real Estate. Real estate equity investments are generally in separately managed accounts or a fund principally invested in common stocks. The fair values of common stocks are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

Private Real Estate. The fair values of the investments in real estate partnerships have been estimated using the NAV of the ownership interest in partners' capital. For partnership holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. These investments cannot be redeemed at NAV with the fund managers until the partnerships terminate, which range from 3 to 10 years. Partnership investments are not readily marketable and their estimated value is subject to uncertainty (Level 3 inputs).

Public Natural Resources. Equity investments relating to oil and gas exploration, supplies and equipment are held in a commingled fund that is valued using NAV under the market approach. These investments are able to be redeemed on a short-term basis (Level 2 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

Private Natural Resources. The fair values of the investments in energy-related and mineral and mining partnerships have been estimated using the NAV of the ownership interest in partners' capital. For partnership holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. These investments cannot be redeemed at NAV with the fund managers until the partnerships terminate, which range from 5 to 12 years. Partnership investments are not readily marketable and their estimated value is subject to uncertainty (Level 3 inputs).

Venture Capital/Private Equity. The fair values of the investments in buyout and venture partnership have been estimated using the NAV of ownership interest in partners' capital. For partnership holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. These investments cannot be redeemed at NAV with the fund managers until the partnerships terminate, which range from 1 to 12 years. Partnership investments are not readily marketable and their estimated value is subject to uncertainty (Level 3 inputs). A special situations private equity investment fund is able to be redeemed on a short-term basis with no significant restrictions (Level 2 inputs).

Interest in Perpetual Trust. The fair value of beneficial interest in trust assets (or any type of beneficial interest) is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income, using the market approach. The University is able to compare the valuation model inputs and results to widely available published industry data for reasonableness. If not readily comparable to published data, then the University would have to develop a model similar to the above for a Level 3 input. Since the University does not have the ability to redeem these beneficial interests on a short-term basis, they are classified as Level 3 valuations.

Note 3 – Accounts, Pledges, and Notes Receivable

Accounts and notes receivable consisted of the following (dollars in thousands):

	June 30, 2018	June 30, 2017
Grants and Contracts	$ 58,276	$ 58,738
Student and General	36,225	24,927
Other Accrued Revenues	21,638	17,937
Less: Allowance for Doubtful Accounts	(7,310)	(2,731)
Total Accounts Receivable, Net	**108,829**	**98,871**
Pledges Receivable	55,328	61,018
Less: Allowance for Doubtful Pledges	(2,161)	(2,327)
Net Pledges Receivables	53,167	58,691
Less: Noncurrent Portion	(24,651)	(35,817)
Pledges Receivable, Current Portion	**28,516**	**22,874**
Perkins Loans	19,171	23,330
Institutional Loans	25,427	22,343
Other Student Loans and Notes Receivable	41,936	13,552
Less: Allowance for Doubtful Loans	(1,015)	(1,191)
Net Notes Receivable	85,519	58,034
Less: Noncurrent Portion	(76,838)	(48,983)
Notes Receivable, Current Portion	**8,681**	**9,051**
Federal Appropriations Receivable	5,123	2,994
State Appropriations Receivable	-	60
Other Receivables, Current Portion	**$ 5,123**	**$ 3,054**

Note 4 – Capital Assets (dollars in thousands)

Capital Assets Activity	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets, Not Being Depreciated:					
Land	$ 45,067	$ 11,710	$ -	$ -	$ 56,777
Construction in Progress	218,306	32,782	-	(177,017)	74,071
Total, Capital Assets, Not Being Depreciated	263,373	44,492	-	(177,017)	130,848
Capital Assets, Being Depreciated:					
Land Improvements	79,757	5,127	-	325	85,209
Infrastructure	161,038	30,504	-	17,413	208,955
Buildings	3,383,393	117,147	10,308	158,342	3,648,574
Equipment	590,462	70,963	20,375	937	641,987
Software	58,387	5	-	-	58,392
Total, Capital Assets, Being Depreciated	4,273,037	223,746	30,683	177,017	4,643,117
Less Accumulated Depreciation:					
Land Improvements	65,104	2,091	-	-	67,195
Infrastructure	67,753	8,630	-	-	76,383
Buildings	1,543,707	124,364	8,555	-	1,659,516
Equipment	394,853	39,072	17,572	-	416,353
Software	56,707	1,663	-	-	58,370
Total Accumulated Depreciation	2,128,124	175,820	26,127	-	2,277,817
Total Capital Assets, Net of Accumulated Depreciation	**$ 2,408,286**	**$ 92,418**	**$ 4,556**	**$ -**	**$ 2,496,148**

Capital Assets Activity	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Capital Assets, Not Being Depreciated:					
Land	$ 40,907	$ 3,099	$ -	$ 1,061	$ 45,067
Construction in Progress	200,655	163,678	-	(146,027)	218,306
Total, Capital Assets, Not Being Depreciated	241,562	166,777	-	(144,966)	263,373
Capital Assets, Being Depreciated:					
Land Improvements	75,482	2,472	-	1,803	79,757
Infrastructure	155,268	4,669	-	1,101	161,038
Buildings	3,150,854	91,016	-	141,523	3,383,393
Equipment	548,494	63,966	22,522	524	590,462
Software	58,369	3	-	15	58,387
Total, Capital Assets, Being Depreciated	3,988,467	162,126	22,522	144,966	4,273,037
Less Accumulated Depreciation:					
Land Improvements	63,165	1,939	-	-	65,104
Infrastructure	60,342	7,411	-	-	67,753
Buildings	1,426,248	117,459	-	-	1,543,707
Equipment	378,645	36,110	19,902	-	394,853
Software	52,922	3,785	-	-	56,707
Total Accumulated Depreciation	1,981,322	166,704	19,902	-	2,128,124
Total Capital Assets, Net of Accumulated Depreciation	**$ 2,248,707**	**$ 162,199**	**$ 2,620**	**$ -**	**$ 2,408,286**

During fiscal year 2018, the University incurred $30,709,000 in interest costs related to the ownership of capital assets. Of this total, $29,687,000 was charged as interest expense and $1,022,000 was capitalized.

Note 5 —Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (dollars in thousands):

	June 30, 2018		June 30, 2017	
Construction Payables	$	12,289	$	19,639
Accrued Insurance Liabilities		27,628		25,817
Interest Payable		19,511		20,601
Accrued Salaries and Wages		13,619		10,413
Vendor and Other Payables		75,776		42,569
Total Accounts Payable	**$**	**148,823**	**$**	**119,039**

Note 6 — Debt Related to Capital Assets

Debt liability activity is summarized below (dollars in thousands):

Debt Related Liabilities	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Notes Payable	$ 6,534	$ -	$ 552	$ 5,982	$ 435
Leases Payable	208,758	33,904	15,983	226,679	43,467
Bonds Payable					
Student Facilities System Revenue Bonds	355,850	-	16,280	339,570	64,725
Student Fee Bonds	400,395	-	30,380	370,015	29,415
Total Bonds Payable	756,245	-	46,660	709,585	94,140
Net Unamortized Premiums and Costs	82,898	-	10,681	72,217	9,669
Total Debt Related Liabilities	**$ 1,054,435**	**$ 33,904**	**$ 73,876**	**$ 1,014,463**	**$ 147,711**

Debt Related Liabilities	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Notes Payable	$ 7,067	$ -	$ 533	$ 6,534	$ 425
Leases Payable to Affiliated Foundations	209,659	-	901	208,758	37,887
Bonds Payable					
Student Facilities System Revenue Bonds	371,260	-	15,410	355,850	64,060
Student Fee Bonds	432,875	-	32,480	400,395	30,380
Total Bonds Payable	804,135	-	47,890	756,245	94,440
Net Unamortized Premiums and Costs	94,882	-	11,984	82,898	10,681
Total Debt Related Liabilities	**$ 1,115,743**	**$ -**	**$ 61,308**	**$ 1,054,435**	**$ 143,433**

Commercial Paper. On April 1, 2008, a commercial paper agreement was negotiated with Goldman, Sachs & Company. This agreement authorized a maximum outstanding at any time of $50,000,000 to finance portions of the costs of certain infrastructure, equipment, and facilities on various campuses. The interest rate was variable and reset based on market conditions. The University could set the maturity dates up to 270 days. The program was not extended at its expiration on April 1, 2018.

Notes Payable. As of June 30, 2018 and 2017, the balance of notes outstanding was approximately $5,982,000 and $6,534,000, respectively, representing financing for various activities.

On November 15, 2015, the University entered into an agreement with Purdue Research Foundation (PRF) that transferred the Bowen Laboratory Facility property to the University in exchange for an agreement to pay the balance of the PRF debt attributable to the Bowen Lab. The initial balance was $7,070,000, and the balances at June 30, 2018 and 2017 were $5,820,000 and $6,245,000, respectively. The interest rate for this agreement ranges between 3-5% as of June 30, 2018 and 2017.

On June 10, 2010, the University entered into a loan agreement with PRF to refinance its capital lease with PRF. The agreement authorized the transfer of the Schneider Avenue building from PRF to the Hammond campus in exchange for the original promise to pay approximately $1,140,000 over thirteen annual payments. The outstanding balance of this note was $162,000 and $289,000 as of June 30, 2018 and 2017. The interest rate for the note was fixed at 8.00% as of June 30, 2018 and 2017.

Leases Payable. Leases payable consisted of the following items (dollars in thousands):

Issue	Issue Date	Original Issuance	Interest Rates	Final Maturity Date	Outstanding June 30, 2018	Outstanding June 30, 2017	Current Outstanding June 30, 2018
Certificates of Participation with Ross-Ade:							
Series 2006	2006	70,345	5.25%	2025	26,805	29,445	2,780
Series 2009B	2009	42,795	4.49-4.59%	2019	38,580	40,715	2,195
Series 2011A	2011	32,185	1.53%*	2035	31,945	32,185	31,945
Series 2014A	2014	21,955	2.66%	2027	19,900	20,725	850
Series 2016A	2016	85,120	4.00-5.00%	2037	85,120	85,120	1,680
Leases with Purdue Research Foundation:							
Kaplan	2012	1,335	5.63%	2022	466	568	107
Child Care Facility	2018	5,522	2.61%*	2033	5,178	-	293
NW Recreation Facility	2018	4,924	2.61%*	2031	4,624	-	232
Other Leases:							
Cisco	2018	23,458	2.52%	2022	14,061	-	3,385
					226,679	208,758	43,467
Net unamortized premiums and costs					15,883	17,796	1,866
Total					**$ 242,562**	**$ 226,554**	**$ 45,333**

**Variable interest rates are reset periodically and are based upon market conditions. Rates shown are as of June 30, 2018.*

The Certificates of Participation (COPs) are secured by certain real estate and the projects located on that real estate, the lease payments to the Ross-Ade Foundation, and a pledge of available income, except student fees and state appropriations. The University has entered into a lease purchase arrangement whereby on the termination of the stated lease, title to the land and buildings will be conveyed absolutely to the Trustees of the University. At any time during the lease term, the University has the right to acquire the entire title to the facility by paying the Ross-Ade Foundation an amount equal to the then outstanding indebtedness. The Ross-Ade Foundation has created a reserve for valuation to reduce the carrying value of certain properties leased to the University in an amount not greater than the proceeds to be received if disposal was made to the University. During the fiscal years ended June 30, 2018 and 2017, the University included approximately $31,945,000 and $32,185,000 in Current Liabilities related to variable rate Certificates of Participation (Series 2011A).

Prior to January 1, 2017, payment for Purdue's outstanding COP obligations (excluding Series 2011A and 2014A) were paid to the Bond Trustee, Bank of New York Mellon, one day in advance of bondholder receipt of funds. Effective January 1, 2017, the obligation to make payment in advance was eliminated. The impact in fiscal 2017 was a one-time shift of prepayments of approximately $4,775,000 previously scheduled for June 30, 2017 to the scheduled bond payment date, July 1, 2017. Thereafter, semi-annual debt service payments for Purdue's COPs will be made on the first business day on or after bondholder payment due date (July 1 and January 1), consistent with the timing for payments of the student fee bonds and student facilities system revenue bonds. Annual debt service (above) reflects this new payment timing.

On June 15, 2016, the University issued Certificates of Participation, Series 2016A at par value of $85,120,000 and a premium of approximately $18,127,000 to fund the renovation and expansion of the Mollenkopf Football Performance Center at the West Lafayette campus, to pay for allowable construction period interest and costs of issuance, and to effect a cross-over refunding of a portion of Build America Certificates of Participation, Series 2009B (Direct Pay Option) effective July 1, 2019. Debt service on the Series 2016A refunding certificates due up to and including July 1, 2019 will be paid from an irrevocable escrow held by the Escrow Trustee, Bank of New

York Mellon. At the cross-over date, $34,130,000 will be outstanding in Series 2009B and will be called and paid for by the escrowed funds. After that point, the university estimates a reduction in its aggregate debt service payments over the life of the debt of approximately $2,579,000. An economic loss (difference between the reacquisition cost and unamortized premium) of approximately $3,471,000 will be created when the cross-over is effected on July 1, 2019 and amortized through 2031. During fiscal year 2018, debt service of $2,527,000 was paid from capitalized interest, borrowed as part of COPS 2016A. The debt service of $1,471,000 related to the crossover refunding was paid from securities held by the Escrow Trustee. During fiscal year 2017, debt service of $801,000 was paid from capitalized interest and $1,376,000 related to the crossover refunding was paid from securities held by the Escrow Trustee. Interest income earned on the escrowed securities during Fiscal Years 2018 and 2017 was approximately $401,000 and $527,000, respectively.

As of June 30, 2018 and 2017, leases payable included amounts relating to properties with a book value, net of accumulated depreciation, of approximately $217,731,000 and $146,752,000, respectively.

On December 21, 2012 the University entered into a $1,335,000 lease agreement with Purdue Research Foundation for the real estate commonly known as Kaplan Commons near the Hammond campus. The lease was treated as a capital lease with a fair value of $1,000,000.

In September 2017 and October 2017, the University entered into lease arrangements with Purdue Research Foundation. The arrangements are capital leases for the improvements to the North West Student Recreation Facility for $4,924,000 and for the Child Care Center Facility for $5,522,000.

In December 2017, the University entered into a lease with Cisco Systems Capital Corporation for approximately $23,458,000. The purpose of this agreement is for the campus lifecycle replacement of core network infrastructure.

Bonds Payable. As of June 30, 2018 and 2017, the balance of bonds payable was approximately $765,919,000 and $821,347,000, respectively. Bonds payable consisted of the following issues (dollars in thousands):

Issuance and Description		Issue Date	Original Issuance	Interest Rates	Final Maturity Date	Total Outstanding June 30, 2018	Total Outstanding June 30, 2017	Current Outstanding June 30, 2018
Student Facilities System Revenue Bonds:								
Series 2004A								
	Finance construction of Hammond student housing and parking garage facilities	2004	$ 28,100	1.42%*	2033	$ 16,475	$ 16,600	$ 16,475
Series 2005A								
	Finance construction and renovation of West Lafayette housing and food service facilities	2005	24,200	1.53% *	2029	5,975	6,020	5,975
Series 2007A								
	Refund a portion of Student Facilities System Revenue Bond Series 2003A and 2003B	2007	61,865	5.25%	2029	53,010	55,405	2,520
Series 2007B								
	Finance construction of the new West Lafayette dining court and Fort Wayne student housing facility	2007	27,065	5.00%	2018	1,000	1,880	1,000
Series 2007C								
	Renovate a West Lafayette student housing facility, and finance construction on a new West Lafayette student housing facility	2007	61,725	1.53% *	2032	25,330	25,520	25,330
Series 2010A								
	Taxable Build America Bonds to finance the renovation of West Lafayette student housing facilities, and refund a portion of commercial paper	2010	24,985	3.90-5.96%	2030	19,245	20,440	1,220
Series 2011A								
	Refund a portion of Student Facilities System Revenue Bond Series 2004A, 2005A, and 2007C	2011	49,440	3.75-5.00%	2025	32,015	35,295	3,605
Series 2012A								
	Finance construction for the West Lafayette student housing and parking facilities, and to refund a portion of Student Facilities System Revenue Bond Series 2003B and a portion of commercial paper	2012	44,770	3.13-5.00%	2032	27,870	31,725	4,105
Series 2015A								
	Finance a portion of construction of West Lafayette Honors College and Residence Hall, refund a portion of Series 2007B and of Series 2009A.	2015	98,070	3.00-5.00%	2040	94,750	96,285	1,615
Series 2016A								
	Finance construction for the West Lafayette Flex Lab Facility, refund portion of Series 2009A and Series 2009B.	2016	67,470	3.00-5.00%	2036	63,900	66,680	2,880
						339,570	355,850	64,725
Net unamortized premiums and costs						26,309	29,723	3,155
Total Student Facilities System Revenue Bonds						**$ 365,879**	**$ 385,573**	**$ 67,880**

Debt issuances are comprised of annual maturities, each of which may have a different interest rate. Table above reflects the rates in effect on 6/30/18.

**Variable interest rates are reset weekly and are based upon market conditions. Rates shown are as of June 30, 2018.*

Issuance and Description		Issue Date	Original Issuance	Interest Rates	Final Maturity Date	Total Outstanding June 30, 2018	Total Outstanding June 30, 2017	Current Outstanding June 30, 2018
Student Fee Bonds:								
Series P								
	Refund Student Fee Bond Series M	1998	$ 64,255	-	2017	$ -	$ 1,685	$ -
Series U								
	Refund a portion of Student Fee Bond Series Q	2005	35,200	3.95-5.25%	2022	15,825	18,895	3,195
Series X								
	Finance construction of West Lafayette Health and Human Sciences facility, add a wing to West Lafayette Mechanical Engineering Building, West Lafayette power improvements, construct the Fort Wayne Student Services and Library Complex, for Repair & Rehabilitation projects, and refund a portion of commercial paper	2009	106,925	5.00%	2019	10,275	15,055	5,010
Series Y								
	Refund Student Fee Bond Series S, T, and V	2010	74,130	5.00%	2020	12,280	15,980	3,890
Series Z-1								
	Finance a portion of construction of West Lafayette Student Fitness and Wellness Center, Fort Wayne Parking Garage, and West Lafayette Repair & Rehabilitation projects and refund Student Fee Bond Series H, K, L, O, a portion of Series R and a portion of commercial paper	2010	68,320	4.00-5.00%	2024	22,685	28,655	6,245
Series Z-2								
	Taxable Build America Bonds to finance a portion of construction of West Lafayette Student Fitness and Wellness Center, Fort Wayne Parking Garage, and West Lafayette Repair & Rehabilitation projects	2010	100,705	3.16-5.33%	2035	89,385	93,125	3,810
Series AA								
	Finance a portion of construction of West Lafayette Student Fitness and Wellness Center, Health and Human Sciences Facility, West Lafayette Repair & Rehabilitation projects and Westville Student Services and Activities complex	2012	54,555	3.25-5.00%	2032	45,205	47,220	2,110
Series BB1								
	Finance a portion of construction of Westville Student Services and Activities Complex, Repair & Rehabilitation projects on the West Lafayette campus, refund energy improvement projects on all campuses originally financed with tax-exempt commercial paper and partially refund Series W.	2015	48,630	3.00-5.00%	2034	37,435	40,910	3,330
Series BB2								
	Taxable debt for reallocation of Drug Discovery from tax-exempt Series AA	2015	18,985	1.79-3.81%	2032	16,115	16,985	880
Series CC								
	Finance construction of West Lafayette Agriculture & Life Sciences Facility and partially refund Series X and Series Y	2016	121,885	3.00-5.00%	2036	120,810	121,885	945
						370,015	400,395	29,415
Net unamortized premiums and costs						30,025	35,379	4,649
Total Student Fee Bonds						**$ 400,040**	**$ 435,774**	**$ 34,064**

Debt issuances are comprised of annual maturities, each of which may have a different interest rate. Table above reflects the rates in effect on 6/30/18.

The Student Facilities System Revenue Bonds are secured by a pledge of certain auxiliary net income and all other available funds, except student fees and state appropriations. Student Fee Bonds are secured by a pledge of mandatory student fees.

As of June 30, 2018 and 2017, the University had $47,780,000 and $48,140,000 included in Current Liabilities related to variable rate Student Facility System Revenue demand bonds (Series 2004A, Series 2005A, and Series 2007C). These bonds are backed by certain auxiliary revenues and other available funds, with serial maturities July 1, 2025 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 provide funds for certain capital improvements, refund certain interim financing, provide for construction period interest for a portion of the bonds, and pay costs incurred to issue the bonds.

The University may direct a change in the type of interest rate borne by the variable rate debt (including variable rate COPs Series 2011A), 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 debt is converted in whole or in part to a fixed rate, the interest rate on the debt so converted may not be subsequently changed to an adjustable rate.

The variable rate bonds and certificates of participation 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 these bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

The University is provided a 24-hour notice if the remarketing agent is unable to resell any debt that is put to the University. In such a case, the University is required to provide the funds to satisfy the repurchase of the debt at 100% par value, plus interest accrued to the settlement date of the put. The University has chosen to provide self-liquidity in the event of a put from any holder of these variable rate bonds or certificates of participation.

On May 11, 2016, the University issued Student Facilities System Revenue Bonds, Series 2016A at par value of $67,470,000 and a premium of approximately $13,317,000 to partially fund the construction of the Engineering Flexible Laboratory on the West Lafayette campus, to refund a portion of Student Facilities System Revenue Bonds, Series 2009A and 2009B, $17,865,000 and $35,325,000, respectively, and to pay for allowable costs of issuance. As a result of the refunding, the university anticipates a reduction in its aggregate debt service payments over the life of the debt of approximately $7,128,000. The refunding resulted in an economic loss (difference between the reacquisition cost and unamortized premium) of approximately $5,454,000 through 2036 over the term of the refunding bonds.

On May 26, 2016, the University issued Student Fee Bonds, Series CC at par value of $121,885,000 and a premium of approximately $25,691,000 to partially fund the construction of the Agricultural and Life Sciences complex at the West Lafayette campus, to pay for allowable costs of issuance, and to refund a portion of Student Fee Bonds, Series X and Y, $61,570,000 and $35,380,000, respectively. As a result of the refunding, the university anticipates a reduction in its aggregate debt service payments over the life of the debt of approximately $13,029,000. The refunding resulted in an economic loss (difference between the reacquisition cost and unamortized premium) of $9,239,516 through 2028 over the term of the refunding bonds.

On June 1, 2018, the University completed an optional call from the last scheduled maturity on each of the outstanding variable rate series. The bonds called were: Student Facilities System Revenue Bonds, Series 2004A ($125,000, July 1, 2033); Student Facilities System Revenue Bonds, Series 2005A ($45,000, July 1, 2029); Student Facilities System Revenue Bonds, Series 2007C ($190,000, July 1, 2032); and Certificates of Participation Series 2011A ($240,000, July 1, 2035).

Scheduled payments related to the debt for capital assets for the fiscal years ending June 30 are as follows (dollars in thousands):

Fiscal Year	Principal	Interest	Total
2019	$ 58,317	$ 39,982	$ 98,299
2020	93,726	36,901	130,627
2021	57,779	33,823	91,602
2022	56,291	31,516	87,807
2023	54,859	28,841	83,700
2024-2028	289,978	104,224	394,202
2029-2033	218,431	46,658	265,089
2034-2038	100,375	10,711	111,086
2039-2041	12,490	763	13,253
	942,246	333,419	1,275,665
Net unamortized premiums and costs	72,217	-	72,217
	$1,014,463	$ 333,419	$1,347,882

Defeased Bond Issues. The University defeases bonds by prepayment or issuing new debt. The University's defeased debt is shown below (dollars in thousands). US Treasury obligations have been purchased in amounts sufficient to pay principal and interest payments when due through call date, and have been deposited in irrevocable trusts with the Trustee. Neither the defeased bonds nor the related trusts are reflected in the accompanying financial statements.

Description of Bonds	Final Maturity/ Call Date	Amount Outstanding June 30, 2018	June 30, 2017
Student Fee and Facilities:			
Student Facilities System Revenue Bonds, Series 2009A	1/1/2019	16,750	17,865
Student Facilities System Revenue Bonds, Series 2009B	7/1/2019	34,155	35,325
Student Fee Bonds:			
Student Fee Bonds, Series X	7/1/2019	61,570	61,570
Student Fee Bonds, Series Y	7/1/2020	35,380	35,380

Operating Leases. The University has entered into various operating leases for facilities. The scheduled payments related to these operating leases for the fiscal years ending June 30 are as follows (dollars in thousands):

Fiscal Year	Lease Payments
2019	$ 15,568
2020	10,106
2021	7,171
2022	5,607
2023	4,384
Total Future Minimum Payments	**$42,836**

Note 7— Other Debt Information

Other debt information is summarized below (dollars in thousands):

Liabilities	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Accrued Compensated Absences	$ 63,390	$ 30,065	$ 26,654	$ 66,801	$ 28,455
Other Post Employment Benefits	50,033	3,833	7,519	46,347	-
Funds Held in Trust for Others	7,098	315	-	7,413	-
Advances from Federal Government	19,028	223	4,316	14,935	-
Total	**$ 139,549**	**$ 34,436**	**$ 38,489**	**$ 135,496**	**$ 28,455**

Liabilities	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Accrued Compensated Absences	$ 62,414	$ 26,514	$ 25,538	$ 63,390	$ 26,654
Other Post Employment Benefits	48,622	6,978	5,567	50,033	-
Funds Held in Trust for Others	6,783	315	0	7,098	-
Advances from Federal Government	19,379	32	383	19,028	-
Total	**$ 137,198**	**$ 33,839**	**$ 31,488**	**$ 139,549**	**$ 26,654**

Other Post-Employment Benefits (OPEB). Purdue University administers a single-employer OPEB plan, known as the Pre-65 Retiree Health Plan, used to provide postemployment benefits other than pensions for official retirees who were formerly permanent full-time general employees. Plan authority is outlined in Purdue HR Policy VI.A.1, and governed by the Purdue University Board of Trustees. Assets for payment of benefits related to this plan are not accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

The University offers medical insurance for official retirees and their dependents. Participants may continue to receive benefits until they reach the age of 65. As of July 1, 2014, separating employees who are 55 or older, and have at least 10 years of service are eligible for official retirement status. Prior to July 1, 2014, the official retirement policy was retirees who are age 55 or older, whose age and years of service are equal to or greater than 70 and have at least 10 years of service. Official retirees under the age of 65 and their dependents 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. Early retirees enjoy the benefit of a lower insurance cost due to continued participation in the University plan, which creates an implicit rate subsidy.

Purdue also offers a long-term disability program providing income continuation payments. Based on date of disability, some additional benefits may be extended. Prior to January 1, 2013, the program included retirement benefit payments, and medical and life insurance premium payments for a small required premium paid by the employee. Those who were participating in the program at that date continue to receive the benefits until they reach the age of 65. Individuals with a date of disability beginning January 1, 2013 or after, may continue medical benefits at the existing employee premiums until the employee becomes eligible for Medicare, or for a maximum of three years after the employee becomes disabled, whichever comes first. All future and existing disability income benefit liability is fully insured through an insurance carrier.

At July 1, 2017, Purdue University plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	321
Disabled members currently receiving benefits	108
Active members	11,608
Total	**12,037**

Purdue's total OPEB liabilities of approximately $46,347,000 as of June 30, 2018, and $50,033,000 as of July 1, 2017 were determined with measurement/experience dates of July 1, 2017 and July 1, 2016, and were both determined by an actuarial valuation as of July 1, 2017, done in accordance with GASB Statement No. 75. The total OPEB liability in the June 30, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions:	
Inflation	2.50%
Projected salary increases	3.00%
Discount rate	3.58% as of July 1, 2017; 2.85% as of July 1, 2016
Health care cost trend rate:	
Medical & Prescription Drug	7.25% graded to 4.50% over 11 years
Vision	3%
Administrative Costs	3%
Mortality Rates	As prescribed under IRS Regulations 1.431 ©(6)-1 and 1.430 (h)(3)-1, using static tables with separate tables for annuitants and nonannuitants (RP-2000 tables projected forward to the valuation year plus 7 years for annuitants and 15 years for nonannuitants).

Because Purdue University is not prefunding the OPEB benefits, the discount rates used in the valuation for financial disclosure purposes are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the Total OPEB Liability (dollars in thousands):

Balance at June 30, 2017	**$**	**50,033**
Changes for Year:		
Service Cost		2,417
Interest		1,416
Change of benefit terms		-
Differences between expected and adtual experience		-
Changes of assumptions		(1,952)
Benefit payments, including refunds of member contributions		(5,567)
Net change in Total OPEB Liability		**(3,686)**
Balance at June 30, 2018	**$**	**46,347**

Changes of assumptions reflect an increase in the discount rate from 2.85% to 3.58%.

Sensitivity Analysis:

OPEB liability is sensitive to both changes in the discount rate and the healthcare cost trend rates. The following presents the Total OPEB Liability of the University as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current discount rate. Also shown is the Total OPEB Liability if it were calculated using healthcare cost trend rates that were 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates.

	1% Increase in Discount Rate 4.58%	Current Discount Rate 3.58%	1% Decrease in Discount Rate 2.58%
Total OPEB Liability	$43,889,099	$46,346,531	$49,056,624

	1% Increase in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Decrease in Health Care Cost Trend Rates
Total OPEB Liability	$49,835,419	$46,346,531	$43,303,993

OPEB Expense and Deferred Inflows of Resources related to OPEB:

For the year ended June 30, 2018, the University recognized OPEB expense of approximately $3,575,000. At June 30, 2018, the University reported Deferred Inflows of Resources in the amount of approximately $1,695,000 related to Changes of Assumptions.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows (dollars in thousands):

Year Ended June 30,		
2019	$	(257)
2020		(257)
2021		(257)
2022		(257)
2023		(257)
Thereafter		(410)

Note 8 — Operating Expenses by Function

Operating expenses by functional classification are summarized as follows (dollars in thousands):

June 30, 2018

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	$ 707,925	$ 95,116	$ -	$ -	$ 803,041
Research	190,223	76,906	-	-	267,129
Extension and Public Service	87,443	58,835	-	-	146,278
Academic Support	87,854	58,514	-	-	146,368
Student Services	32,961	14,913	-	-	47,874
General Administration and Institutional Support	172,565	107,166	-	-	279,731
Physical Plant Operations and Maintenance	56,947	48,680	-	-	105,627
Depreciation	-	-	175,821	-	175,821
Student Aid	-	-	-	67,613	67,613
Auxiliary Enterprises	133,684	97,933	-	-	231,617
Total	**$ 1,469,602**	**$ 558,063**	**$ 175,821**	**$ 67,613**	**$ 2,271,099**

June 30, 2017

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	$ 646,303	$ 99,838	$ -	$ -	$ 746,141
Research	179,286	70,392	-	-	249,678
Extension and Public Service	96,252	49,824	-	-	146,076
Academic Support	95,637	47,268	-	-	142,905
Student Services	34,401	14,050	-	-	48,451
General Administration and Institutional Support	130,343	46,874	-	-	177,217
Physical Plant Operations and Maintenance	76,486	56,275	-	-	132,761
Depreciation	-	-	166,704	-	166,704
Student Aid	-	-	-	70,452	70,452
Auxiliary Enterprises	142,302	85,381	-	-	227,683
Total	**$ 1,401,010**	**$ 469,902**	**$ 166,704**	**$ 70,452**	**$ 2,108,068**

Note 9 — 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). During the years ended June 30, 2018 and 2017, the University's contribution to FICA was approximately $64,416,000 and $59,843,000, respectively.

Purdue University Defined Contribution Plans. Certain employees of the University participate in defined contribution plans. Benefit provisions are established and/or amended by the Trustees. University defined contribution plans are all administered through Fidelity Investments. Plan contributions are made at the time the associated payroll is issued, so there is not a material outstanding liability at June 30, 2018 or 2017.

Faculty and Administrative/Professional Staff. Faculty, professional, and certain administrative employees of the University participate in the exempt employees' defined contribution plans. Faculty and management personnel participate immediately upon employment; others must satisfy a three-year waiting period. Effective January 1, 2011, the University contributes 10% of each participating employee's salary to the Purdue University 403(b) defined contribution retirement plan. Employee contributions are not required but may be made on a voluntary basis to the Purdue University 403(b) voluntary tax-deferred annuity plan and/or the Purdue University 457(b) deferred compensation plan. Those eligible to participate in the defined contribution plan also participate in the Purdue University 401(a) Profit Sharing Plan. This plan requires a mandatory employee contribution of 4% of their salary. Funds in all exempt employees defined contribution plans are immediately vested, so no forfeitures exist in these plans.

For the years ended June 30, 2018 and 2017, there were 7,224 and 7,239 employees, respectively, participating in the plans with annual pay equal to approximately $654,597,000 and $645,297,000, respectively. For the years ended June 30, 2018 and 2017, the University made contributions totaling approximately $63,199,000 and $62,215,000, respectively, to these plans.

Clerical, Service, and Operations/Technical Assistants. Clerical, service, and operations/technical assistants hired on or after September 9, 2013 and employed at least half-time participate in the non-exempt employees' defined contribution plan. Benefits-eligible employees in this category participate immediately upon date of employment. The University provides a base contribution of 4% of the participating employee's salary each pay period to the Purdue University 403(b) defined contribution retirement plan. This plan has a three year vesting period for this employee group, and there is not a material forfeiture balance at this time. Employee contributions are not required but may be made on a voluntary basis to the Purdue University 403(b) voluntary tax-deferred annuity plan. The University will match voluntary employee pre-tax contributions up to 4% of earnings each pay period. Employees may also contribute voluntarily to the Purdue University 457(b) Deferred Compensation Plan, but these contributions are not matched.

For the years ended June 30, 2018 and 2017, there were 2,075 and 1,792 employees, respectively, participating in the plan with annual pay equal to approximately $49,639,000 and $42,501,000, respectively. For the year ended June 30, 2018 and 2017, the University made base contributions totaling approximately $2,243,000 and $1,753,000, respectively, and matching contributions totaling approximately $1,771,000 and $1,454,000, respectively, to the plan.

Purdue University Global Defined Contribution Plans. Purdue Global has two defined contribution plans, administered through Fidelity Investments in which all full time eligible employees may participate. Benefit provisions are established and/or amended by the Trustees. Plan contributions are typically made at the time the time the associated payroll is issued, so there is not a material outstanding liability at June 30, 2018.

All full-time eligible employees of Purdue Global may participate in the Purdue University Global, Inc. 457(b) Deferred Compensation Plan immediately upon employment. Enrollment is automatic at the date of employment or re-employment by operation of a default elective deferral. The default elective deferral rate begins at 6% of eligible compensation, and increases annually by 1% until it reaches a maximum of 10%. Contributions are not mandatory, and employees have the option to make a Contrary Election not to defer any compensation, or to defer a percentage of compensation, which is more or less than the default elective deferral amount, up to the maximum allowed. In addition, employees who are not full time eligible employees may elect to participate in the plan by completing a deferred compensation agreement. All funds in this plan are immediately vested, so forfeitures do not exist. For the period ended June 30, 2018, there were 858 employees participating in the 457(b) plan with pay equal to approximately $11,343.

Likewise, all employees except interns, temporary, vacation relief, or call-in employees participate in the Purdue University Global, Inc. 403(b) Defined Contribution Retirement Savings Plan immediately upon commencement of employment. This plan features a non-elective employer contribution of 3% of participant's compensation. It also provides an employer matching contribution of 100% of elective deferrals up to 4% of compensation made to the Purdue University Global, Inc. 457(b) Deferred Compensation Plan. Three-year cliff vesting is in effect for the contributions in this plan. For the period ended June 30, 2018, there were 1921 employees participating in the 403(b) plan with pay equal to approximately $15,259. For the period ended June 30, 2018 the University made contributions totaling $731 to the plan.

In 2018, the Plan's board implemented a trust to hold the assets of the Program in accordance with Internal Revenue Code Section 457. The Plan assets are the property of the trust, which holds the assets on behalf of the participants. Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this Plan are not reported in the accompanying financial statements.

Defined Benefit Plans. Certain employees of the University participate in defined benefit plans administered by other agencies. Actuarial information related to the University's portion of these plans are disclosed in the Required Supplementary Information (RSI) at the back of the Financial Report.

PERF. Regular clerical and service staff employed at least half-time and hired on or prior to September 8, 2013, participate in the Public Employees Retirement Fund (PERF), a retirement program administered by Indiana Public Retirement System (INPRS), an agency of the state of Indiana. PERF, as part of the implementation of GASB 67 changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2, and amended IC 5-10.1-1-11(b).

PERF was established to provide retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the State of Indiana. The PERF retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Employees were eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after 10 years of employment. The monthly pension benefits for members in pay status may be increased periodically for cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an “ad hoc” basis and can only be granted by the Indiana General Assembly.

The required contributions are determined by INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. For the years ended June 30, 2018 and 2017, the University was required to contribute 11.2% of the employee’s salary. The employee contribution to the Annuity Savings Account in the amount of 3% of the employee’s salary is being made by the University on behalf of the employee.

The financial statements of INPRS, including PERF, have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles as applied to government units. Oversight of INPRS’ assets is the responsibility of the INPRS Board of Trustees. Indiana law requires the Board to establish investment guidelines and limits on all types of investments and take other actions necessary to fulfill its duty as a fiduciary for all assets under its control. Both pooled and non-pooled investments are reported at fair value. Benefits are recognized when due and payable to members or other beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. INPRS issues a publicly available financial report that includes financial statements, notes, and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing to: Indiana Public Retirement System, One North Capitol Ave., Suite 001, Indianapolis, IN 46204; or by visiting www.in.gov/inprs/annualreports.htm.

For the years ended June 30, 2018 and 2017, there were 2,605 and 3,153 employees, respectively, participating in PERF. The University’s proportionate share of PERF’s Net Pension Liability, based on covered payroll of approximately $87,692,000 was 1.76758% for the measurement date June 30, 2017, which was the date used for this financial report. The proportionate share of the Net Pension Liability as calculated by INPRS under GASB 68 guidance was approximately $78,861,000 and $82,044,000 as of June 30, 2018 and 2017.

The University made contributions to the plan totaling approximately $13,120,000 and $14,403,000 for the years ending June 30, 2018 and 2017, respectively. The amount of contribution made after the measurement date, which is shown as a deferred outflow was approximately $11,366,000 and $14,581,000 for the years ended June 30, 2018 and 2017, respectively. The proportionate shares of pension plan expense for the years ended June 30, 2018 and 2017 as calculated under GASB 68 guidance were approximately $15,588,000 and $15,505,000, less net amortization of deferred amounts of approximately $3,883,000 and $3,918,000, leaving a net pension expense of approximately $11,705,000 and $11,587,000.

Actuarial calculations reflect a long-term perspective and the significant assumptions used in the actuarial valuation to calculate the total pension liability follow. The valuation date for assets was June 30, 2017, and the valuation date for liabilities was June 30, 2016, with standard actuarial roll forward techniques used to project the total pension liability at June 30, 2017. The amortization method and period are Level Dollar Closed over 30 years. The actuarial cost method is entry age normal (Level Percent of Payroll) cost. The employer required contribution is determined using an asset smoothing method. The actuarial assumptions include a 6.75% investment rate of return (net of administrative expenses), inflation rate of 2.25% per year, projected salary increases of 2.5% - 4.25% per year, and 1% per year cost of living adjustments, all based on the period of 4 years ended June 30, 2014, the most recent study date. Mortality rates were based on the 2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006.

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established and the long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	Target Asset Allocation	Geometric Basis Long-Term Expected Real Rate of Return
Public Equity	22.0%	4.9%
Private Equity	14.0%	5.7%
Fixed Income - Ex Inflation-Linked	20.0%	2.3%
Fixed Income - Inflation-Linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real Estate	7.0%	3.7%
Absolute Return	10.0%	3.9%
Risk Parity	12.0%	5.1%

Total pension liability was calculated using the discount rate of 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy, adopted by the Board. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 6.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
$ 115,016,099	$ 78,861,350	$ 48,806,690

As a result of GASB 68 implementation, new categories of deferred outflows and inflows of resources are required to be reported and disclosed, as follows:

Summary of Deferred Outflows and Inflows of Resources
(dollars in thousands)

	As of June 30, 2018	
	Deferred Outflows	**Deferred Inflows**
Differences between expected and actual experience	$ 1,498	$ 61
Net difference between projected and actual investment earnings on pension plan investments	12,474	3,954
Change of assumptions	1,266	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,752	11,136
Contribution made after the measurement date	11,366	-
Total Deferred Outflows and Inflows	$ 36,356	$ 15,151

	As of June 30, 2017	
	Deferred Outflows	**Deferred Inflows**
Differences between expected and actual experience	$ 1,838	$ 151
Net difference between projected and actual investment earnings on pension plan investments	18,045	4,616
Change of assumptions	3,620	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,413	21,788
Contribution made after the measurement date	14,581	-
Total Deferred Outflows and Inflows	$ 54,497	$ 26,555

The deferred outflows and inflows of resources, excluding the contribution made after the measurement date of $11,366,000, are required to be amortized over either a 4.5 or 5 year life, depending upon the nature of the item. Amortization of these items by plan year is presented in the following table (dollars in thousands):

Amortization of Net Deferred Outflows/Inflows of Resources

2018	$ 3,069
2019	5,419
2020	1,775
2021	(424)
2022	-
Thereafter	-
Total	$ 9,839

Police/Fire. A supplemental pension program for police officers and firefighters (Police/Fire) was authorized by the 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 the University 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 Trustees. The program is an agent single-employer defined benefit plan, funded through group annuities, and 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 non-probationary-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 University retirement programs, including TIAA-CREF and PERF. Employees covered by this plan are required to make contributions equal to 3% of the current salary for a non-probationary-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, Hovde Hall, 610 Purdue Mall, West Lafayette, IN 47907-2040.

For the years ending June 30, 2018 and 2017, there were 96 and 99 employees, respectively, actively participating in Police/Fire. The University made contributions to this plan totaling approximately $713,000 and $806,000 for the years ending June 30, 2018 and 2017, respectively.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2017. The actuarial valuation was the projected unit credit actuarial cost method over 30 years. The actuarial assumptions include a 6.25% investment rate of return, projected salary increases of 2.5% per year, and 3% per year cost of living adjustments.

Three-Year-Trend Information (dollars in thousands)

Plan	Annual Required Contribution	Interest on Net Pension Obligation	Adjustment to Annual Required Contribution	Annual Pension Cost	Contributions Made [2]	Increase (Decrease) in Net Pension Obligation	Net Pension Obligation, Beginning of Year	Net Pension Obligation, End of Year	Percentage of APC Contributed
Police/Fire									
July 1, 2017	875	13	(811)	77	738	(661)	(563)	(1,224)	958%
July 1, 2016	862	56	(128)	790	528	263	(826)	(563)	67%
July 1, 2015	837	38	(393)	483	725	(242)	(584)	(826)	150%

[1] Actuarial data for 2018 was not available at the time of this report.
[2] Police/Fire contributions include interest earnings.

Cooperative Extension Service. As of June 30, 2018 and 2017, there were 8 staff members with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System. The University contributed $54,000 and $68,000, respectively, for the years ended June 30, 2018 and 2017 to this plan.

Note 10 – Component Units

Discretely Presented Component Units

Summary financial information as of and for the years ended June 30, 2018 and 2017, for the University's discretely presented component units are presented in the tables below.

Discretely Presented Component Unit Statement of Financial Position
June 30, 2018 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Assets:				
Cash and Cash Equivalents	$ 11,520	$ 212	$ 328	$ 12,060
Accounts Receivable, Net	25,239	2,080	65	27,384
Other Assets	18,134	3	3	18,140
Investments	2,666,965	3,807	9,925	2,680,697
Lease Purchase Agreements	-	197,260	-	197,260
Notes Receivable, Net	8,326	1,079	-	9,405
Interest in Charitable Perpetual Trusts	16,135	-	-	16,135
Capital Assets, Net of Accumulated Depreciation	239,918	151	7,237	247,306
Irrevocable Trust	-	36,273	-	36,273
Total Assets	**2,986,237**	**240,865**	**17,558**	**3,244,660**
Liabilities:				
Accounts Payable and Accrued Expenses	25,195	4,079	21	29,295
Unearned Revenue	-	17,863	-	17,863
Due on Split Interest Agreements	49,724	-	-	49,724
Deposits Held in Custody for Others	1,744,145	-	-	1,744,145
Bonds (Net), Leases and Notes Payable	147,770	216,832	-	364,602
Other Liabilities	3,305	-	-	3,305
Total Liabilities	**1,970,139**	**238,774**	**21**	**2,208,934**
Net Assets:				
Temporarily Restricted	598,854	2,091	4,090	605,035
Permanently Restricted	149,430	-	6,905	156,335
Unrestricted	267,814	-	6,542	274,356
Total Net Assets	**$ 1,016,098**	**$ 2,091**	**$ 17,537**	**$ 1,035,726**

Discretely Presented Component Unit Statement of Financial Position
June 30, 2017 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Assets:				
Cash and Cash Equivalents	$ 13,522	$ 221	$ 367	$ 14,110
Accounts Receivable, Net	16,832	3,810	47	20,689
Other Assets	18,108	3	3	18,114
Investments	2,546,345	25,684	9,479	2,581,508
Lease Purchase Agreements	-	123,718	-	123,718
Construction in Progress	-	40,626	-	40,626
Notes Receivable, Net	8,237	1,079	-	9,316
Interest in Charitable Perpetual Trusts	15,526	-	-	15,526
Capital Assets, Net of Accumulated Depreciation	255,047	151	7,348	262,546
Irrevocable Trust	-	37,343	-	37,343
Total Assets	**2,873,617**	**232,635**	**17,244**	**3,123,496**
Liabilities:				
Accounts Payable and Accrued Expenses	24,413	4,193	20	28,626
Due on Split Interest Agreements	48,876	-	-	48,876
Deposits Held in Custody for Others	1,646,946	-	-	1,646,946
Bonds (Net), Leases and Notes Payable	159,499	224,466	-	383,965
Other Liabilities	2,288	-	-	2,288
Total Liabilities	**1,882,022**	**228,659**	**20**	**2,110,701**
Net Assets:				
Temporarily Restricted	678,335	3,976	3,808	686,119
Permanently Restricted	143,978	-	6,758	150,736
Unrestricted	169,282	-	6,658	175,940
Total Net Assets	**$ 991,595**	**$ 3,976**	**$ 17,224**	**$ 1,012,795**

Discretely Presented Component Unit Statement of Activities
For the Year Ended June 30, 2018 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Revenue and Support				
Amount Received for Purdue University Research Projects	$ 661	$ -	$ -	$ 661
Less Payments to Purdue University	(661)	-	-	(661)
Administrative Fee on Research Projects	-	-	-	-
Contributions	29,569	-	975	30,544
Income on Investments	18,627	4,785	403	23,815
Net Unrealized and Realized Gains	54,779	(13)	133	54,899
Change in Value of Split Interest Agreements	(1,058)	-	-	(1,058)
Increase in Interests in Perpetual Trusts	609	-	-	609
Rents	21,360	8	146	21,514
Royalties	3,008	-	-	3,008
Other	33,899	-	101	34,000
Total Revenue and Support	**160,793**	**4,780**	**1,758**	**167,331**
Expenses and Losses				
Expenses for the Benefit of Purdue University				
Contributions to Purdue University	38,314	-	1,158	39,472
Patent and Royalty	2,946	-	-	2,946
Grants	8,655	-	-	8,655
Services for Purdue University	2,659	-	-	2,659
Other	4,337	-	157	4,494
Total Expenses for the Benefit of Purdue University	**56,911**	**-**	**1,315**	**58,226**
Administrative and Other Expenses				
Salaries and Benefits	32,613	-	-	32,613
Property Management	16,715	-	111	16,826
Professional Fees	13,168	-	-	13,168
Supplies	1,601	-	-	1,601
Interest	6,936	6,646	-	13,582
Research Park	308	-	-	308
Other	8,038	19	19	8,076
Total Administrative and Other Expenses	**79,379**	**6,665**	**130**	**86,174**
Change in Net Assets	24,503	(1,885)	313	22,931
Net Assets, Beginning of Period	991,595	3,976	17,224	1,012,795
Net Assets, End of Period	**$ 1,016,098**	**$ 2,091**	**$ 17,537**	**$ 1,035,726**

Discretely Presented Component Unit Statement of Activities

For the Year Ended June 30, 2017 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	IPFW Foundation	Component Unit Total
Revenue and Support				
Amount Received for Purdue University Research Projects	$ 4,449	$ -	$ -	$ 4,449
Less Payments to Purdue University	(4,449)	-	-	(4,449)
Administrative Fee on Research Projects	-	-	-	-
Contributions	24,933	-	1,024	25,957
Income on Investments	14,753	9,232	416	24,401
Net Unrealized and Realized Gains	125,354	(9)	370	125,715
Change in Value of Split Interest Agreements	(6,174)	-	-	(6,174)
Increase in Interests in Perpetual Trusts	1,458	-	-	1,458
Rents	19,977	8	133	20,118
Royalties	3,715	-	-	3,715
Other	31,271	-	136	31,407
Total Revenue and Support	**215,287**	**9,231**	**2,079**	**226,597**
Expenses and Losses				
Expenses for the Benefit of Purdue University				
Contributions to Purdue University	19,336	-	1,733	21,069
Patent and Royalty	3,593	-	-	3,593
Grants	8,464	-	-	8,464
Services for Purdue University	2,530	-	-	2,530
Other	10,660	-	129	10,789
Total Expenses for the Benefit of Purdue University	**44,583**	**-**	**1,862**	**46,445**
Administrative and Other Expenses				
Salaries and Benefits	31,076	-	-	31,076
Property Management	16,191	-	116	16,307
Professional Fees	14,500	-	-	14,500
Supplies	1,378	-	-	1,378
Interest	6,197	7,175	-	13,372
Research Park	341	-	-	341
Other	9,296	21	33	9,350
Total Administrative and Other Expenses	**78,979**	**7,196**	**149**	**86,324**
Change in Net Assets	91,725	2,035	68	93,828
Net Assets, Beginning of Period	899,870	1,941	17,156	918,967
Net Assets, End of Period	**$ 991,595**	**$ 3,976**	**$ 17,224**	**$ 1,012,795**

Blended Component Unit

Condensed financial information for Purdue University Global, Inc., a blended component unit, before the elimination of certain intra-University transactions of $7,000,000, as of and for the year ended June 30, 2018 is as follows:

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Financial Position
As of June 30 (Dollars in Thousands)

		2018
Assets:		
Current Assets	$	76,739
Noncurrent Assets		30,176
Total Assets		**106,915**
Liabilities:		
Current Liabilities		90,026
Noncurrent Liabilities		172
Total Liabilities		**90,198**
Net Assets:		
Net Investment in Capital Assets		2,676
Unrestricted		14,041
Total Net Assets	**$**	**16,717**

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Activities
For the Period Ended June 30 (Dollars in Thousands)

		2018
Operating Revenues	$	93,665
Operating Expenses other than Depreciation		131,581
Depreciation Expense		439
Net Operating Loss		**(38,355)**
Non Operating Revenues		22,685
Income before Other Revenues, Expenses, Gains, Losses, and Transfers		**(15,670)**
Other Revenues, Expenses, Gains, Losses, and Transfers		(2,500)
Decrease in Net Position		**(18,170)**
Net Assets, Beginning of Period		34,887
Net Assets, End of Period	**$**	**16,717**

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Cash Flows
For the Period Ended June 30 (Dollars in Thousands)

		2018
Cash Provided by Operating Activities	$	(3,427)
Cash Provided by Noncapital Financing Activities		22,408
Cash Used by Capital and Related Financing Activities		(38)
Net Increase (Decrease in Cash and Cash Equivalents)		18,943
Cash and Cash Equivalents - Beginning of Period		47,467
Cash and Cash Equivalents - End of Period		**66,410**

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, 2018 and 2017, contractual obligations for capital construction projects were approximately $88,889,000 and $75,446,000 respectively.

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 or higher than the price at which the University is committed to buy. This would reduce or increase the value of the contract. The University could sell the forward contract at a loss or gain 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 if the counterparty fails to deliver quantity at the guaranteed price at the specified time resulting in the University having to procure natural gas on the open market.

Note 12 – Risk Management

Accrued Insurance Liabilities. 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. The amount of settlements paid during the last three years did not exceed the insurance coverage for the same time period. There was no significant reduction in insurance coverage during the fiscal year.

For buildings and contents, the University's risk retention is $250,000 per occurrence. There is $2,000,000 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. For the fiscal year ended June 30, 2018, the maximum liability to the University for job-related illness or injury is $850,000 per incident, with no maximum annual aggregate liability. For the fiscal year ended June 30, 2017, the maximum liability to the University for job-related illness or injury was $500,000 per incident, with a maximum annual aggregate liability of approximately $8,000,000.

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. During the years ended June 30, 2018 and 2017, the University reflected approximately $103,000 and $738,000, respectively, of insurance proceeds as non-operating income.

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. Changes in the balances of accrued insurance liabilities were as follows (dollars in thousands):

	June 30, 2018	June 30, 2017
Beginning Liability	$ 25,817	$ 20,550
Claims Incurred	130,397	133,717
Claims Payments	(128,012)	(128,450)
Ending Liability	**$ 28,202**	**$ 25,817**

Note 13 – Transfer of Operations

In April, 2017, the Trustees of Purdue University formed Purdue University Global, Inc. (Purdue Global), a post-secondary Secondary Educational Institution (SEI)-affiliated educational institution, and a public benefit corporation under the Indiana Nonprofit Corporation Act, of which Purdue is the sole member.

On April 27, 2017, Purdue Global entered into a Contribution and Transfer Agreement (CTA) to receive the institutional assets and operations of Kaplan University in exchange for cash consideration of $1.00 and a covenant to enter into a long-term Transition and Operations Support Agreement (TOSA), under which Kaplan Higher Education (KHE) will provide key non-academic operations support to Purdue Global.

Consummation of this transaction was subject to various closing conditions, including, among others, regulatory approvals from the U.S. Department of Education (the Department), the Indiana Commission for Higher Education (ICHE), and the Higher Learning Commission (HLC), which is the regional accreditor of both the University and Kaplan University, as well as certain other state educational agencies and accreditors of programs. In February 2018, the final approvals were obtained, and on March 22, 2018, the transaction was consummated.

The transaction meets the requirements of a transfer of operations as defined by GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. On March 22, 2018, KHE transferred the assets and liabilities that were agreed to as part of the CTA. As a result of the transfer, Purdue Global recognized the following assets, liabilities, and net position (in thousands of dollars):

		Carrying Values
Transferred Assets (Net)		
Current Assets	$	47,556
Capital Assets		3,077
Other Assets		30,000
Total Assets		**80,633**
Transferred Liabilities		
Current Liabilities		45,746
Total Liabilities		**45,746**
Net Position of Transferred Operations	**$**	**34,887**

Note 14 – Subsequent Events

On September 18, 2018, the University issued Student Fee Bonds, Series DD, at par value of $90,135,000 and a premium of approximately $14,493,000 to partially fund two projects: (1) the renovation of and addition to the Agricultural and Biological Engineering building on the West Lafayette campus and (2) the construction of the BioScience Innovation building on the Hammond campus. Allowable costs of issuance were also funded in this bond series.

Required Supplementary Information

SCHEDULE OF CHANGES IN PURDUE'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
(Dollar amounts in Thousands)
June 30,

		2018
Total OPEB Liability		
Service Cost	$	2,417
Interest		1,416
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(1,952)
Benefit payments, including refunds of member contributions		(5,567)
Net Change in Total OPEB Liability		**(3,686)**
Total OPEB Liability - beginning		**50,033**
Total OPEB Liability - ending	**$**	**46,347**
Covered employee payroll	$	920,742
Plan total OPEB Liability as a percentage of covered employee payroll		5.03%

Notes to Schedule:

Changes of assumptions reflect the effects of changes in the discount rate.
The following are the discount rates used in each period:

July 1, 2017	3.58%
July 1, 2016	2.58%

Required Supplementary Information

SCHEDULE OF PURDUE'S SHARE OF THE NET PENSION LIABILITY
INDIANA PUBLIC EMPLOYEE RETIREMENT FUND (PERF)
(Dollar Amounts in Thousands)
June 30,

	2017*	2016*	2015*	2014*	2013*
Proportion of the Net Pension Liability	1.8%	1.8%	2.5%	2.8%	3.0%
Proportionate Share of the Net Pension Liability	$ 78,861	$ 82,044	$ 102,146	$ 74,323	$ 103,102
Covered-employee payroll	$ 87,693	$ 86,639	$ 120,126	$ 138,081	$ 144,526
Proportionate share of the Net Pension Liability as a percentage of covered-employee payroll	89.9%	94.7%	84.8%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	75.3%	77.3%	84.3%	78.8%

SCHEDULE OF PURDUE'S CONTRIBUTIONS
INDIANA PUBLIC EMPLOYEE RETIREMENT FUND (PERF)
(Dollar Amounts in Thousands)
June 30,

	2017*	2016*	2015*	2014*	2013*
Contractually required contribution	$ 9,822	$ 9,704	$ 13,431	$ 15,471	$ 13,894
Contributions in relation to the contractually required contribution	$ 9,822	$ 9,704	$ 13,431	$ 15,471	$ 13,894
Contribution deficiency	-	-	-	-	-
Covered-employee payroll	$ 87,693	$ 86,639	$ 120,126	$ 138,081	$ 144,526
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	11.2%	11.2%	9.6%

**Based on INPRS previous fiscal year audit and report on allocation of pension amounts. Ie: FY2018 Purdue reported amounts based on INPRS FY2017 report.*

Required Supplementary Information
Retirement Plans--Schedule of Funding Progress Police/Fire Supplemental
Fiscal Year Ended June 30, 2018
(Dollar amounts in Thousands)

Actuarial Valuation Date*	Actuarial Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Benefit)
Police/Fire Supplemental										
7/1/2007	19,679	19,984	305	98.5%	4,854	6.3%	528	645	122.2%	(569)
7/1/2008	20,014	21,441	1,427	93.3%	5,318	26.8%	685	573	83.6%	(457)
7/1/2009	19,026	22,190	3,164	85.7%	5,537	57.1%	899	670	74.5%	(228)
7/1/2010	20,163	23,131	2,968	87.2%	5,582	53.2%	956	878	91.8%	(150)
7/1/2011	22,560	26,385	3,825	85.5%	5,677	67.4%	1,182	976	82.6%	56
7/1/2012	23,438	27,329	3,891	85.8%	5,648	68.9%	1,286	1,166	90.7%	176
7/1/2013	25,809	27,780	1,971	92.9%	5,611	35.1%	1,030	1,307	126.9%	(101)
7/1/2014	29,465	28,897	(568)	102.0%	5,803	-9.8%	585	1,068	182.6%	(584)
7/1/2015	31,270	30,259	(1,011)	103.3%	5,816	-17.4%	483	725	150.1%	(826)
7/1/2016	31,253	31,382	129	99.6%	6,493	2.0%	790	528	66.8%	(563)
7/1/2017	34,251	32,380	(1,871)	105.8%	5,612	-33.3%	77	738	958.4%	(1,224)

*Data for 2018 not available from actuaries at date of issuance

Total In-State Enrollment by County

Fall, 2017-18 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 65,186 students for the 2017-18 fall semester. The breakdown was West Lafayette, 41,573, Northwest, 12,071, Fort Wayne, 10,414, Statewide Technology, 1,128. Enrollment numbers do not include 6,254 Purdue University students at Indiana University-Purdue University Indianapolis or students enrolled at Purdue Global. Although students came to Purdue from all over the world, 60% system-wide came from within Indiana.

County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
Adams	61	436	1	498
Allen	887	5,367	-	6,254
Bartholomew	209	5	67	281
Benton	71	4	1	76
Blackford	14	20	2	36
Boone	557	9	3	569
Brown	21	2	5	28
Carroll	129	6	9	144
Cass	120	21	12	153
Clark	105	4	82	191
Clay	30	2	-	32
Clinton	140	5	18	163
Crawford	7	1	4	12
Daviess	30	2	1	33
De Kalb	84	457	-	541
Dearborn	111	3	2	116
Decatur	84	2	14	100
Delaware	107	29	18	154
Dubois	108	4	2	114
Elkhart	324	209	23	556
Fayette	22	4	12	38
Floyd	121	6	49	176
Fountain	78	3	3	84
Franklin	68	3	5	76
Fulton	84	97	-	181
Gibson	57	1	6	64
Grant	99	64	5	168
Greene	36	3	3	42
Hamilton	2,162	50	52	2,264
Hancock	295	18	11	324
Harrison	36	2	32	70
Hendricks	623	29	2	654
Henry	70	10	8	88
Howard	243	18	77	338
Huntington	67	366	-	433
Jackson	97	5	16	118
Jasper	169	289	1	459
Jay	23	15	-	38
Jefferson	39	1	7	47
Jennings	17	2	4	23
Johnson	387	15	17	419
Knox	35	5	11	51
Kosciusko	199	381	1	581
La Porte	316	1,373	5	1,694
Lagrange	55	151	-	206
Lake	1,291	5,421	1	6,713
Lawrence	67	7	4	78
Madison	194	44	54	292
Marion	1,613	122	13	1,748
Marshall	154	97	8	259
Martin	12	2	1	15
Miami	68	35	14	117
Monroe	146	13	-	159
Montgomer	137	3	5	145
Morgan	126	9	-	135
Newton	53	111	1	165
Noble	75	445	-	520
Ohio	2	-	-	2
Orange	15	1	5	21
Owen	27	2	-	29
Parke	27	2	-	29
Perry	10	1	-	11
Pike	10	2	2	14
Porter	615	1,894	2	2,511
Posey	61	3	-	64
Pulaski	61	29	3	93
Putnam	74	5	2	81
Randolph	44	11	6	61
Ripley	53	3	4	60
Rush	32	1	3	36
Scott	15	-	11	26
Shelby	80	7	3	90
Spencer	37	1	1	39
St Joseph	743	152	81	976
Starke	39	128	-	167
Steuben	67	194	-	261
Sullivan	26	2	1	29
Switzerland	6	1	1	8
Tippecanoe	2,658	46	132	2,836
Tipton	58	2	12	72
Union	11	1	8	20
Vanderburgl	236	11	2	249
Vermillion	23	-	1	24
Vigo	117	10	1	128
Wabash	71	191	4	266
Warren	36	-	1	37
Warrick	136	4	2	142
Washington	41	-	11	52
Wayne	67	7	53	127
Wells	70	368	-	438
White	171	28	7	206
Whitley	62	417	-	479
Unknown	501	100	4	605
Total	**18,835**	**19,432**	**1,055**	**39,322**

ACKNOWLEDGEMENTS

The following staff members of the Treasurer’s Office prepared the 2017-18 Financial Report.

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