

CLEMSON

U N I V E R S I T Y

Clemson, South Carolina



Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

For the Year Ended June 30, 2004



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For the Year Ended June 30, 2004

Prepared by the Comptrollers Office

CLEMSON

UNIVERSITY

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Introductory Section



President's Letter 2004

Dear Friends of Clemson:

Clemson University continues to make progress toward our goal of becoming one of the nation's top 20 public universities. Already ranked in the top 20 in terms of student quality, graduation rates and alumni support, we are seeing significant growth in research and programs that impact economic development.

In the past year, we broke ground for a new research campus in Greenville that will be devoted to automotive engineering, which has already generated more than \$115 million in commitments of public and private support, dedicated a biosystems research complex to support research in the rapidly growing field of biotechnology, and announced plans to invest \$70 million to create an advanced materials industry hub at the Clemson Research Park. These events clearly indicate that Clemson is being asked to play a leadership role in creating high-paying jobs and ensuring economic prosperity for South Carolina.

We are glad to play such a role; in fact, it directly aligns with our goal of being a top-ranked university. Research shows that top-tier universities generate more spin-off companies and attract more high-tech, knowledge-based industries, both of which translate into greater personal wealth for our citizens.

However, we also are committed to maintaining the core strengths of Clemson – undergraduate teaching and public service. Although state funding for research has increased significantly, support for core academic and public service programs has declined by more than 25 percent over the past three years. In order to maintain quality in all three of our mission areas, we are engaged in a process called “discovery,” which is an aggressive, proactive effort to find efficiencies that allow us to reallocate funds to higher priorities.

Through an uncompromising commitment to quality, focus, and relevance, we believe that Clemson can achieve its vision, which ultimately will benefit our students, alumni and all citizens of South Carolina.

Sincerely,

A handwritten signature in black ink, appearing to read "James F. Barker". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right. A vertical line descends from the end of the signature.

James F. Barker





University Goals

• **Academics, research and service**

- Excel in teaching, at both the undergraduate and graduate levels.
- Increase research and sponsored programs to exceed \$100 million a year in research support.
- Set the standard in public service for land-grant universities by engaging the whole campus in service and outreach, including a focus on strategic emphasis areas.
- Foster Clemson's academic reputation through strong academic programs, mission-oriented research and academic centers of excellence, relevant public service and highly regarded faculty and staff.
- Seek and cultivate areas where teaching, research and service overlap.

• **Campus life**

- Strengthen our sense of community and increase our diversity.
- Recognize and appreciate Clemson's distinctiveness.
- Create greater awareness of international programs and increase activity in this area.
- Increase our focus on collaboration.
- Maintain an environment that is healthy, safe and attractive.

• **Student performance**

- Attract more students who are ranked in the top 10 percent of their high school classes and who perform exceptionally well on the SAT/ACT.
- Promote high graduation rates through increasing freshman retention, meeting expectations of high achievers and providing support systems for all students.
- Promote excellence in advising.
- Increase the annual number of doctoral graduates to the level of a top-20 public research university.
- Improve the national competitiveness of graduate student admissions and financial aid.

• **Educational resources**

- Campaign goal surpassed by 40 percent.
- Rededicate our energy and resources to improving the library.
- Increase faculty compensation to a level competitive with top-20 public universities.
- Increase academic expenditures per student to a level competitive with top-20 public universities.
- Manage enrollment to ensure the highest quality classroom experiences.

• **Clemson's national reputation**

- Promote high integrity and professional demeanor among all members of the University community.
- Establish a Phi Beta Kappa chapter.
- Have at least two Clemson students win Rhodes Scholarships.
- Send student ensembles to perform at Carnegie Hall.
- Have at least two Clemson faculty win recognition by national academies.
- Publicize both national and international accomplishments of faculty, staff and students.
- While maintaining full compliance, achieve notable recognition with another national football championship, two championships in Olympic sports and two Final Four appearances in basketball.

CLEMSON

U N I V E R S I T Y

LETTER OF TRANSMITTAL

September 17, 2004

To President Barker,
Members of the Board of Trustees, and
Citizens of South Carolina

We are pleased to present to you the Comprehensive Annual Financial Report of Clemson University for the year ended June 30, 2004. The audit report of our auditors, KPMG LLP, appears in the Financial Section, and expresses an unqualified opinion on the University's financial statements.

INTRODUCTION

The Comprehensive Annual Financial Report includes the financial statements for the year ended June 30, 2004, and other information useful to those we serve and to those to whom we are accountable. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information is accurate in all material respects and fairly presents the University's financial position, as well as revenues, expenses, changes in net assets and cash flows.

The Comprehensive Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 2004. The report is organized into three sections.

The *Introductory Section* includes the transmittal letter, a University overview and the Certificate of Achievement of Excellence in reporting awarded to the University for the year ended June 30, 2003. Also included is a listing of the University Board of Trustees and an organization chart. This section is intended to acquaint the reader with the organization, structure and scope of operations of the University.

The *Financial Section* presents the basic financial statements, management's discussion and analysis and the

report of the independent external auditors. The basic financial statements are prepared in accordance with generally accepted accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board.

The *Statistical Section* contains selected financial, statistical, and demographic information. This information is intended to present to readers a broad overview of trends in the financial affairs of the University.

Clemson University was established in 1889 in accordance with the will of Thomas Green Clemson and the Acceptance Act of the General Assembly of South Carolina. Clemson University is governed by a board of thirteen members, including six elected by the State General Assembly and seven appointed self-perpetuating life members. Clemson University operates as a unit of the State of South Carolina (the primary government) as a state assisted institution of higher education.

For the year ended June 30, 2004, the University adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a related entity. Based on these criteria, the University has determined that the Clemson University Foundation and the Clemson University Research Foundation are indeed component units of the University. Consequently, the financial statements now include the accounts of these two entities as discretely presented component units.



FINANCIAL AFFAIRS

Chief Business Officer G-06 Sikes Hall Box 345301 Clemson, SC 29634-5301

864.656.2420 FAX 864.656.2008

Major Initiatives

In 2003-2004, Clemson University's role as a driver of economic development took center stage. Within a span of six months, Clemson:

- Announced plans to invest \$70 million over five years in advanced materials research at the Clemson Research Park, an economic development initiative could make the Upstate a magnet for advanced materials-related industries, particularly in the emerging area of photonics. A state-of-the-art laboratory opened this fall.
- Broke ground for the Clemson University International Center for Automotive Research in Greenville, a 400-acre campus that will be the interface of a leading academic/research graduate program and a commercially-viable private research park. The project already has generated more than \$115 million in public and private funding commitments.
- Dedicated the Biosystems Research Complex, which serves as a focal point for biotechnology research. This rapidly growing field uses life sciences – biology, genomics, biochemistry and bioengineering – to create new products and processes in medicine, agriculture and industry.

The Research Centers of Economic Excellence Act, which sets aside lottery funding to endow faculty positions at the state's research universities to support research in areas related to economic development, has provided \$23 million for Clemson programs in automotive engineering and advanced materials in its first two years. Clemson has already generated \$13 million in matching private funds for the endowed chairs.

Other major initiatives also promise to impact economic development. Clemson's Restoration Institute in Charleston will focus on the business of rebuilding, renovating or preserving the built environment and can position the Lowcountry as a national leader in the \$1 trillion/year restoration industry.

A new Center for Flexible Packaging will team packaging science faculty and industry leaders on educational, research and service programs to support the fast-growing flexible, pouch-style packaging industry.

Also in 2003-2004, Clemson enrolled its second class in a row with an average SAT above 1200, and had four students earn nationally competitive Goldwater Scholarships, the most a university can receive in a single year.

Faculty continue to earn national recognition, including Dr. Murray Daw, physics, who was named to the American Academy of Arts and Sciences, and Dr. Xiaobo Hu, political sciences, who was named a Hoover Fellow. Clemson's faculty includes 16 National Science Foundation CAREER award winners, a previous Academy member, a Fulbright Scholar, a Guggenheim Fellow, and one of the nation's Top 100 Young Innovators according to MIT's *Technology Review* magazine.

Clemson opened a new Class of 41 Studio for Student Communication, made possible by a \$1 million gift from the class, which will build on the university's successful

communications across the curriculum program. Clemson's communications programs have been included by *U.S. News and World Report* in its list of "writing programs that really work" and led TIME Magazine to name Clemson the "Public College of the Year" for 2001.

Clemson, the University of South Carolina and the Medical University of South Carolina announced plans to form the South Carolina Nutrition Research Consortium, which will tackle the state's significant nutrition-related problems such as obesity, high blood pressure, and diabetes.

A grant from the Susan G. Komen Breast Cancer Foundation in Dallas will further a promising line of research on treating breast cancer, centered around a hormone responsible for mammary gland development and milk production

Bioengineers studying bone loss among astronauts hope to uncover ways to prevent osteoporosis here on earth by focusing on a natural protein called osteoprotegerin.

Two major facilities projects were completed in 2003-2004. Fike Recreation Center reopened after a \$21 million renovation that added 33,000 square feet of space to the facility, bringing the total size to 200,000 square feet. The new Swann Fitness Center, named in honor of university trustee Joseph D. Swann for his donation of \$1.1 million to the campus recreation department, features equipment, programs and services that promote health education.

At year's end, a \$5 million expansion of McAdams Hall was nearing completion. The 24,000-square-foot expansion will house the growing department of computer science and agriculture and biological engineering programs. Fraternity residence halls are undergoing a major renovation and modernization and are scheduled for completion by the fall semester of 2005.

FINANCIAL INFORMATION

Internal Control Structure and Budgetary Control

The Financial Affairs Division of the University is responsible for establishing and maintaining an effective structure of internal control. The structure of internal control is designed to ensure that certain organizational objectives are met. Accordingly, organizational structure, policies, and procedures have been established to safeguard assets, ensure the reliability of accounting data, promote efficient operations, and ensure compliance with established governmental laws, regulations and policies, University policies, and other requirements of sponsors to whom the University is accountable.

As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations relating to such assistance. A combination of State and University policies and procedures, integrated with the University's structure of internal controls, provides for this compliance. The University has an annual single audit performed in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133.

The State Budget and Control Board requires the University to submit an annual balanced budget for both its Educational and General and Extension and Public Service components. Each recognized college or budget center of the University is provided with a level of appropriation. This appropriation limits total annual expenditures. Budgetary controls are incorporated into both the University's accounting system and the State's financial management system to ensure that imposed expenditure constraints are observed. Periodic financial reports comparing actual results with budgeted amounts are provided at both the University and State level.

Debt Administration

The University has developed a comprehensive debt management strategy to provide guidelines relative to acceptable levels of debt and to formulate a mechanism for calculating and monitoring debt while being cognizant of the effect of long-term borrowing on the University's credit rating. This strategy acknowledges that, although all University revenues are generally available to meet any need, debt issued for one operational segment should be repaid from the resources generated by that segment.

Cash Management

State law requires that substantially all of the University's receipts and disbursements be made using bank accounts in the name of the South Carolina State Treasurer. The State Treasurer performs almost all cash management activities for University cash balances on deposit in state bank accounts. As a participant in the State's cash management pool, the University does receive investment income allocations for certain qualifying cash balances.

Risk Management

The University participates in a statewide risk management program under which the State assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group-life insurance benefits. In addition, the University pays premiums to the State's Insurance Reserve Fund to cover the risk of loss related to the following assets and activities: real property, its contents, and other equipment, motor vehicles and aircraft, general tort claims, and medical malpractice claims. The University also obtains employee fidelity bond insurance coverage for all employees through a commercial insurer for losses arising from theft or misappropriation. The University believes that all coverage is sufficient to preclude any significant uninsured losses.

OTHER INFORMATION

Audits

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the fiscal year ended June 30, 2004, the State Auditor contracted with the

independent certified public accounting firm of KPMG LLP, to perform the University's annual audit. Under the terms of this contract, KPMG LLP will perform the audit of the University's financial statements and the University's federal financial assistance programs for the next two years. Additionally, Clemson University internal auditors perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with you, the Board of Trustees, and the University's management.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clemson University for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Clemson University has received the Certificate of Achievement annually since the fiscal year ended June 30, 1993. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Comptrollers Office and other University financial staff. Each member has our sincere appreciation for their contributions in the preparation of the report.

Sincerely,



Scott Ludlow
Chief Business Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Clemson University,
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CLEMSON UNIVERSITY BOARD OF TRUSTEES

(as of June 30, 2004)

TRUSTEES

Leon J. (Bill) Hendrix, Jr., *Chairman*
Chairman of the Executive Committee

J. J. Britton, *Vice Chairman*
OB-GYN, P.A.P.O.

Bill L. Amick
Chairman and CEO, Amick Farms

Lawrence M. Gressette, Jr.
SCANA Corporation

Thomas C. Lynch, Jr.
Pharmacist, Retired

Louis B. Lynn
President, ENVIRO AgScience, Inc.

Patricia Herring McAbee
Vice President, Custom Development Solutions

Leslie G. (Les) McCraw
Chairman and CEO, Retired Fluor Corporation

E. Smyth McKissick, III
President and Treasurer,
Alice Manufacturing Company, Inc.

Thomas B. McTeer, Jr.
President, McTeer Real Estate, Inc.

Robert L. Peeler
Bob Peeler and Associates LLC

William C. Smith, Jr.,
CEO, Holmes Smith Developments, Inc.

Joseph D. Swann
President, Rockwell Automation Power Systems

TRUSTEE EMERITI

Louis P. Batson, Jr.
Chairman, Louis P. Batson Company

Fletcher C. Derrick, Jr.
Urologist

W. G. DesChamps, Jr.
President, Bishopville Petroleum Co., Inc.

Harold D. (Doug) Kingsmore
Chairman of the Board, Southern Weaving Company

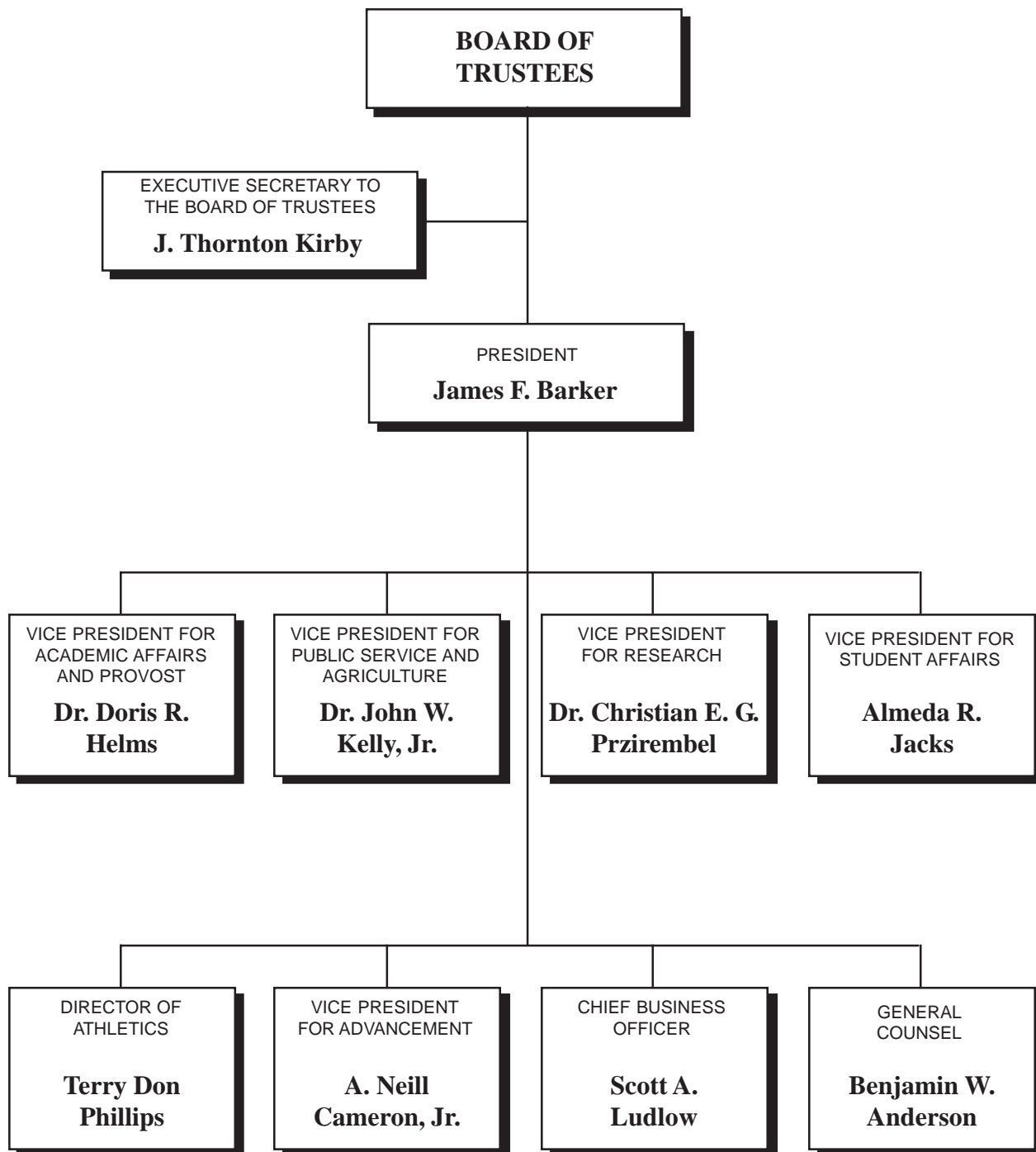
Paul W. McAlister
Retired

D. Leslie Tindal
Retired
South Carolina Commissioner of Agriculture

Allen P. Wood
Chairman, Mosley, Wilkins, Wood Associates, Ltd.

CLEMSON UNIVERSITY ORGANIZATION CHART

(as of June 30, 2004)





Financial Section

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

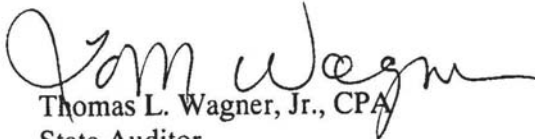
October 6, 2004

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
Clemson University
Clemson, South Carolina

This report on the audit of the financial statements of Clemson University for the fiscal year ended June 30, 2004, was issued by KPMG, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb



KPMG LLP
Suite 900
55 Beattie Place
Greenville, SC 29601-2106

Independent Auditors' Report

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the business-type activities of Clemson University (the University) and the discretely presented component units, a department of the State of South Carolina, as of and for the year ended June 30, 2004, which collectively comprise the University's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in note 1, the financial statements of Clemson University are intended to present the financial position, results of operations and the cash flows, where applicable, of only that portion of the business-type activities and discretely presented component units of the State of South Carolina that is attributable to the transactions of Clemson University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for Clemson University and the discretely presented component units as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America



In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2004 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section, the supplementary information to the financial statements and the statistical section as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information to the financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As discussed in note 1, the University adopted GASB Statement 39, *Determining Whether Certain Organizations Are Component Units* effective as of July 1, 2003.

KPMG LLP

September 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

Clemson University is pleased to present its financial statements for fiscal year 2004. While audited financial statements for fiscal year 2003 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and, the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations.

This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Clemson University. The Statement of Net Assets presents end-of-year data concerning Assets (property that we own and what we are owed by others), Liabilities (what we owe to others and have collected from others before we have provided the service), and Net Assets (Assets minus Liabilities). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are

recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net assets consists solely of the University's permanent endowment funds and are only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic and research programs and initiatives.

Assets – increase of \$65.4 million

- Increases in current assets contributed \$30.3 million of this amount due to increases in unrestricted and restricted cash balances. The unrestricted cash increases were attributable to Board-approved tuition increases ranging from 12.37% to 18.8% and increased public & regulatory service fees. Restricted cash increases were attributable to proceeds from two bond issues during the fiscal year.

	2004	2003	Increase/ (Decrease)	Percent Change
Assets				
Current assets	\$ 193,943	\$ 163,617	\$ 30,326	18.53%
Capital assets, net	397,683	375,932	21,751	5.79%
Other assets	90,173	76,861	13,312	17.32%
Total Assets	<u>681,799</u>	<u>616,410</u>	<u>65,389</u>	10.61%
Liabilities				
Current Liabilities	71,692	65,368	6,324	9.67%
Noncurrent Liabilities	154,274	123,825	30,449	24.59%
Total Liabilities	<u>225,966</u>	<u>189,193</u>	<u>36,773</u>	19.44%
Net Assets				
Invested in capital assets, net of debt	248,604	256,258	(7,654)	(2.99)%
Restricted - expendable	122,791	109,161	13,630	12.49%
Restricted - nonexpendable	16,347	9,228	7,119	77.15%
Unrestricted	68,091	52,570	15,521	29.52%
Total Net Assets	<u>\$ 455,833</u>	<u>\$ 427,217</u>	<u>\$ 28,616</u>	6.70%

- The net capital assets increase of \$21.8 million resulted from newly capitalized buildings and an increase in Construction in Progress. The major renovation of the Fike Recreation Center was completed this year. Construction continued on a new research laboratory building and a major renovation of the fraternity dormitories.
- Two items were responsible for the \$13.3 million increase in other assets. Restricted noncurrent cash increased by \$7 million due to State lottery funding for two University endowments. In addition, the value of University endowment assets held by the Clemson University Foundation increased in value by approximately \$6 million.

Liabilities – increase of \$36.8 million

- Current liabilities increased by \$6.3 million. The \$1.8 million increase in accounts and retainages payable mainly stemmed from three large accruals for: the purchase of a new electron microscope, renovations of Athletics' Jervy administration building, and amounts due to other schools in the National Textile Consortium, for which the University acts as the fiduciary agent. The accrued payroll and related liabilities increase of \$4.2 million was due to a fiscal year end accrual of 90% of the University's bi-weekly payroll vs. 70% for the previous year. Deferred revenues declined \$754,000, due to a decrease in cash on hand for the Federal Smith-Lever program and a decrease in advance payments from sponsors at fiscal year end. Current amounts due for long-term debt increased by \$851,000 due to new borrowing in the past fiscal year.
- Two new bond issues and a new note payable discussed in Note 6 of the financial statements were responsible for the \$30.4 million increase in noncurrent liabilities.

Net Assets – increase of \$28.6 million

- Only capital assets net of related debt declined, this \$7.7 million decrease was the direct result of the new long term debt issued during the fiscal year.
- Unrestricted net assets exhibited the most significant increase: \$15.5 million. The threat of additional State budget cuts and uncertainty concerning next fiscal year's budget were primarily responsible for \$10.6 million in increases for the University's mission-oriented educational and general and public service units. Also contributing was the lag time required to implement portions of the Academic Plan such as new faculty hires. Athletics contributed over half of the auxiliary net assets increase of \$3.5 million. Campus food service and vending auxiliaries also experienced significant increases as they built reserves for future capital projects. An increase in unrestricted funds designated for campus repairs and renovations accounted for the remainder of the increase in unrestricted net assets.
- The \$7.1 million increase in restricted – nonexpendable net assets for scholarships and fellowships primarily

resulted from \$7 million in State lottery funding for two University endowed professorships.

- Appreciation in the assets held by the Clemson University Foundation was mainly responsible for the \$6.8 million increase in restricted – expendable assets for scholarships and fellowships.
- The \$5 million increase in net assets restricted for expendable capital projects was attributable to bond proceeds reserved for specific capital projects.
- Increases in stadium admission fees were primarily responsible for the \$1 million increase in restricted – expendable assets for debt service.
- Restricted – expendable assets for research, instructional departmental use, and for student loans exhibited a collective increase in net assets of \$1 million this fiscal year.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. All things being equal, a public University's dependency on state aid and gifts will result in operating deficits. The GASB requires state appropriations and gifts to be classified as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

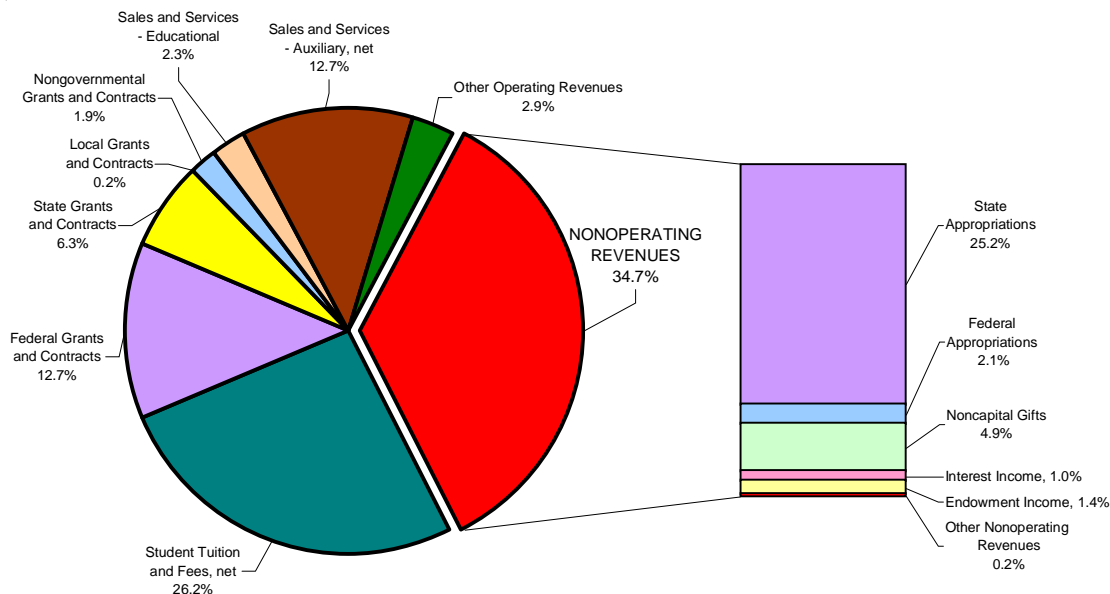
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues and are reported after "Income before other revenues, expenses, gains or losses."

The Condensed Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in Net Assets at the end of the year. Some highlights of the information presented on this Statement are as follows:

Operating Revenues – increase of \$28.7 million

- Student tuition and fees increased \$19.7 million, the result of Board-approved tuition increases of 18.8% for in-state

TOTAL REVENUES BY SOURCE



students and 12.37% for out-of-state students. Enrollment was up slightly this past year, and the percentage of out-of-state students increased. Also, the past fiscal year saw the addition of a new graduate student activity fee instituted at the request of the Graduate Student Association.

- Sales and services revenues increased \$5.4 million. Sales and services of auxiliaries were responsible for \$3.6 million of this amount. Athletics revenues were up \$1.4 million due to increased ticket sales. Housing and Food Services revenues were up \$1.1 million and \$343,000, respectively, due to Board-approved 6% and 2.5% fee increases. In addition, Information Systems Development revenues were up almost \$800,000 due to increases in billings for services.
- The \$1.9 million increase in sales and services of educational activities was mainly attributable to the University’s public service activities. State regulatory changes doubled the pesticide registration fee from \$75 to \$150, yielding an additional \$962,000 in revenue to the University. Increased timber sales, partially in response to state budget cuts, yielded an additional \$413,000 in revenue. Revenues from 4-H and other developmental camps, including a new facility in Pickens County, increased \$344,000. Also, in attempt to defray state budget cuts, extension service fees were increased and yielded an additional \$217,000.
- Approximately \$1.7 million of the \$2.5 million increase in grants and contracts revenues was attributable to state-funded scholarship programs. Federal revenues for sponsored programs increased by \$751,000 from the prior year.
- The re-opening of Fike Recreation Center and Littlejohn Coliseum were primarily responsible for the approximately \$1.1 million increase in other operating revenues. With

its new addition, the Swann Fitness Center, Fike recognized a significant addition in recreation facility fees. Rental fees for student concerts, high school graduations and other events yielded a significant increase in Littlejohn Coliseum revenues.

Operating Expenses – increase of \$2.2 million

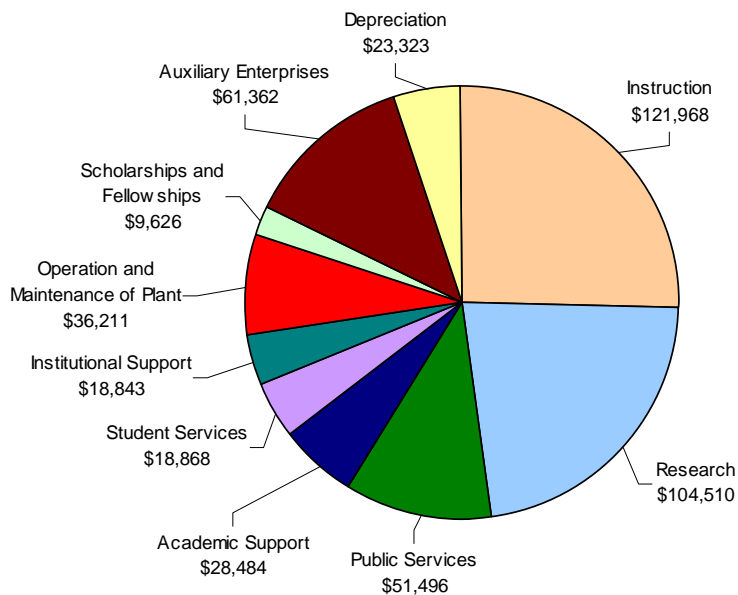
- Compensation and employee benefits decreased by \$5.5 million. Faculty and staff salaries decreased \$9.8 million due to position reductions and early retirements. Increases in fringe benefits, including grad assistant tuition waivers, and part-time salaries, totaling \$4.3 million, offset the decline in permanent salaries.
- Over \$3.4 million of the \$6.5 million increase in service and supplies expenses was attributable to an increase in research, most notably a grant that paid out over \$3 million to sub recipients to increase South Carolina commercial shrimp production. Increases in Athletics and Housing were primarily responsible for the \$2 million increase in auxiliaries expenses. Athletics buildings maintenance expenses were up approximately \$1.2 million due to renovations to Jervey Athletic Center and the Seneca River Basin project. Housing expenses were up \$1.1 million, in large part, due to operating lease payments of \$891,000 for “Tigertown Village”, alternative fraternity housing while campus renovations occur. Also, expenses for deferred maintenance projects contributed to a \$1.3 million increase in operation and maintenance of plant expenses. These increases were offset by a decline in academic support expenses due to a scheduled decrease in information technology hardware purchases.

UNAUDITED

**Condensed Summary of Revenues, Expenses
and Changes in Net Assets (thousands of dollars)**

	2004	2003	Increase/ (Decrease)	Percent Change
Operating Revenues:				
Student tuition and fees	\$ 131,049	\$ 111,346	\$ 19,703	17.70%
Sales and services	75,181	69,724	5,457	7.83%
Grants and contracts	105,767	103,304	2,463	2.38%
Other operating revenues	14,263	13,204	1,059	8.02%
Total operating revenues	<u>326,260</u>	<u>297,578</u>	<u>28,682</u>	9.64%
Operating Expenses:				
Compensation and employee benefits	298,717	304,259	(5,542)	(1.82)%
Services and supplies	130,586	124,100	6,486	5.23%
Utilities	12,103	11,542	561	4.86%
Depreciation	23,323	22,359	964	4.31%
Scholarships and fellowships	9,962	10,238	(276)	(2.70)%
Total operating expenses	<u>474,691</u>	<u>472,498</u>	<u>2,193</u>	0.46%
Operating loss	<u>(148,431)</u>	<u>(174,920)</u>	<u>26,489</u>	(15.14)%
Nonoperating Revenues (Expenses):				
State appropriations	126,020	139,615	(13,595)	(9.74)%
Federal appropriations	10,339	11,492	(1,153)	(10.03)%
Gifts	24,295	23,232	1,063	4.58%
Investment income	11,685	10,150	1,535	15.12%
Gain/(loss) on disposal of capital assets	(1,205)	(1,094)	(111)	10.15%
Interest expense	(6,794)	(5,321)	(1,473)	27.68%
Other nonoperating revenues/expenses	891	1,155	(264)	(22.86)%
Total nonoperating revenues (expenses)	<u>165,231</u>	<u>179,229</u>	<u>(13,998)</u>	(7.81)%
Income before other revenues, expenses, special and extraordinary items and transfers	16,800	4,309	12,491	289.88%
Capital grants and appropriations	5,111	16,745	(11,634)	(69.48)%
Permanent endowment additions	7,004	20	6,984	34,920.00%
Transfers to state general fund	(299)	(549)	250	(45.54)%
Change in Net Assets	<u>28,616</u>	<u>20,525</u>	<u>8,091</u>	39.42%
Net Assets, Beginning	<u>427,217</u>	<u>406,692</u>	<u>20,525</u>	5.05%
Net Assets, Ending	<u>\$ 455,833</u>	<u>\$ 427,217</u>	<u>\$ 28,616</u>	6.70%

OPERATING EXPENSES BY FUNCTION
\$474,691 (thousands of dollars)



UNAUDITED

- The \$561,000 increase in Utilities expenses resulted from a mid-year coal price increase of more than 40%, and an increase in natural gas prices.
- Depreciation expenses increased \$964,000. Almost \$30 million in buildings additions resulted in an increase of \$773,000 in depreciation. The remainder of the increase was attributable to depreciation on vehicles and equipment.
- Scholarship and fellowship expenses decreased \$276,000. Increases in tuition and auxiliary fees resulted in less available for pay-out to students.

Nonoperating Revenues (Expenses) – decrease of \$14 million

- The decline in nonoperating revenues (expenses) is almost totally attributable to reduced state appropriations. Legislated cuts, plus an additional 1% reduction in the current fiscal year, resulted in \$13.6 million less in state appropriations revenue.
- Although federal appropriations decreased \$1.1 million, this decline was mainly attributable to the differences in federal and state fiscal year ends. Awards for the Smith-Lever, Hatch, McIntire-Stennis and Animal Health programs remained approximately the same.
- Proceeds from a bequest totaling over \$500,000 contributed one half towards the \$1 million increase in gifts.
- Investment income increased by \$1.5 million. A decline in income from balances held by the State Treasurer of \$2.7 million was offset by a \$4.2 million increase in income and appreciation from endowment assets held and invested by the Clemson University Foundation.
- Loss on disposal of capital assets increased by \$111,000. Innovations and improvements in scientific and information technology equipment led to the disposal or trade-in of equipment before it was fully depreciated.
- Initial interest payments on General Obligation and Athletic Facilities revenue bonds issued in the previous fiscal year were directly responsible for the \$1.5 million increase in interest expense.
- Other nonoperating revenues (expenses) decreased by \$264,000. A decline in University refunds to grantors and a significant reduction in asbestos settlement proceeds accounted for this decrease.

Capital grants and appropriations – decrease of \$11.6 million

- Proceeds from state capital improvement and economic development bonds decreased by \$8 million. Capital gifts from the Clemson University Foundation declined \$2.6 million, largely due to the completion of the related building projects. In addition, capital equipment grants for sponsored programs declined approximately \$1 million.

Permanent endowment additions – increase of \$7 million

- The South Carolina State Lottery Commission-provided funding of \$7 million for two endowed professorships

was responsible for the increase in permanent endowment additions.

Transfers to state general fund – decrease of \$250,000

- Phase out of the Lifelong Improvement in Nutrition of the Community (LINC) public service grant was primarily responsible for the reduction in facility and administrative recoveries required to be remitted to the State.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Debt Administration

The University's financial statements indicate \$143,446,708 in bonds payable, \$5,354,855 in capital leases payable and \$1,048,229 in notes payable at June 30, 2004.

During the fiscal year ending June 30, 2004, the State of South Carolina, on behalf of the University, issued General Obligation Bonds totaling \$11,000,000 to construct certain research facilities for the University and to refund the remaining \$1,095,000 balance of the Series 1992B General Obligation Bonds. Also, during the fiscal year ending June 30, 2004, the University issued Revenue Bonds totaling \$27,290,000 to partially fund the cost of renovating certain residence hall facilities.

The University's bonded indebtedness consisted of: General Obligation Bonds of \$49,460,000, Plant Improvement Bonds of \$5,070,000 and various Revenue Bond issues totaling \$88,916,708. General Obligation Bonds are obligations of the State of South Carolina and are secured as to principal and interest by a pledge of full faith, credit, and taxing power of the State and are paid with tuition and matriculation fees. Plant Improvement Bonds are secured by a pledge of a special student fee designated for the improvement of plant. Revenue bonds issued for student and faculty housing, plant improvement, parking and various auxiliary facilities are paid with pledged net revenues, special imposed student fees, and stadium seat taxes.

The \$5,354,855 in capital leases is comprised of four leases for land and real estate. Two of these leases are with the Clemson University Research Foundation, a component unit.

During the fiscal year ending June 30, 2004, the University borrowed \$489,534 from the South Carolina State Energy Office to upgrade the lighting in several campus buildings. Also, during the fiscal year ending June 30, 2004, the University borrowed \$22,500 from the City of Clemson to resurface nine intramural tennis courts. The remaining notes payable balances related to the purchase of a fire truck, and a construction loan with the Clemson University Foundation, a component unit.

For additional information on Debt Administration, see Notes 6 and 7 in the notes to the financial statements.

Economic Outlook

As a state supported higher education institution, the economic position of the University is closely tied to the State of South Carolina. The State closed fiscal year 2004 with a \$243 million surplus – the first in three years. Retail sales tax collections were up nearly 7% and individual income tax payments were up 6%. This surplus was used to erase previous deficits, restore the State’s previously exhausted General Reserve “Rainy Day Fund” to a balance of \$75.2 million, and to restore the Capital Reserve Fund, which had also been previously exhausted, to a balance of \$99.4 million.

Although the University received \$1.8 million more in fiscal year 2004 for state-funded scholarships, and \$7 million in State Lottery funding for endowed professorships, state funding for capital projects declined by \$8 million, and state appropriations, used for operations, declined by \$13.6 million. For the first time student tuition and fees outdistanced state appropriations as the University’s primary revenue source used to fund operations.

While the restoration of the Capital Reserve Fund offers promise that University capital projects may be, at least, partially funded in the future, previous permanent cuts ensure that state appropriations as a percentage of the University’s operating budget will fall below the 25% level. Consequently, the 2005 budget adopted by the Clemson University Board of Trustees reflected a 12.7% tuition increase. At the same time, the University continued its aggressive internal expenditure evaluation process called “discovery” which aims to find resources through cost efficiencies, restructuring or policy changes. The \$7.5 million already identified by this process helped minimize the 2005 tuition increase.

Once again the University finished the year better off than the previous year. It remains committed to its academic “Road Map” which includes hiring and retaining outstanding young faculty in such key emphasis areas as life sciences and biotechnology.

CLEMSON UNIVERSITY
STATEMENT OF NET ASSETS

June 30, 2004

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 110,720,665	\$ 6,499,123
Restricted Assets - Current		
Cash and cash equivalents	48,423,064	1,907
Accounts receivable (Net of provision for Doubtful Accounts of \$99,563)	5,358,502	1,564,743
Grants and contracts receivable	23,791,040	1,240,018
Contributions receivable, net	828,321	—
Interest and income receivable	1,702,912	—
Student loans receivable	4,445	—
Inventories	776,668	—
Prepaid expenses	2,293,776	10,313
Investment in direct financing lease	—	390,093
Other	43,934	—
Total current assets	<u>193,943,327</u>	<u>9,706,197</u>
Noncurrent Assets		
Notes receivable	55,521,370	—
Contributions receivable, net	2,625,075	—
Investments	3,071,844	—
Restricted Assets - Noncurrent		
Cash and cash equivalents	21,060,711	—
Student loans receivable	7,432,801	—
Investment in direct financing lease	—	917,161
Other	461,802	5,459
Capital assets, net of accumulated depreciation	397,682,563	1,982,624
Total noncurrent assets	<u>487,856,166</u>	<u>2,905,244</u>
Total assets	<u>\$ 681,799,493</u>	<u>\$ 12,611,441</u>
LIABILITIES		
Current Liabilities		
Accounts and retainages payable	\$ 16,906,831	\$ 3,263,734
Accrued payroll and related liabilities	13,852,541	1,294
Accrued compensated absences and related liabilities	11,532,518	—
Accrued interest payable	963,929	4,603
Deferred revenues	19,003,650	897,776
Bonds payable	7,245,122	401,205
Capital leases payable	1,078,501	—
Notes payable	223,608	806,783
Deposits	432,847	—
Funds held for others	452,808	1,650
Total current liabilities	<u>71,692,355</u>	<u>5,377,045</u>
Noncurrent Liabilities		
Accrued compensated absences and related liabilities	5,751,482	—
Funds held for others	7,219,923	—
Bonds payable	136,201,586	597,030
Capital leases payable	4,276,354	—
Notes payable	824,621	—
Total noncurrent liabilities	<u>154,273,966</u>	<u>597,030</u>
Total liabilities	<u>\$ 225,966,321</u>	<u>\$ 5,974,075</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 248,604,479	\$ 1,156,619
Restricted for Nonexpendable:		
Scholarships and Fellowships	16,346,791	—
Restricted for Expendable:		
Scholarships and Fellowships	74,427,416	—
Research	1,942,405	3,903,252
Instructional department use	10,112,320	—
Loans	1,656,278	—
Capital projects	30,730,139	—
Debt service	3,922,273	—
Unrestricted	68,091,071	1,577,495
Total net assets	<u>\$ 455,833,172</u>	<u>\$ 6,637,366</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2004

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
REVENUES:		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of \$34,228,323)	\$ 131,048,798	\$ —
Federal grants and contracts	63,438,447	5,239,499
State grants and contracts	31,451,180	—
Local grants and contracts	1,135,484	—
Nongovernmental grants and contracts	9,741,700	2,123,932
Sales and services of educational and other activities	11,595,865	—
Sales and services of auxiliary enterprises - pledged for revenue bonds (net of scholarship allowances of \$8,978,156)	55,743,179	—
Sales and services of auxiliary enterprises - not pledged	7,842,029	—
Other operating revenues	14,263,340	4,981,229
Total operating revenues	<u>326,260,022</u>	<u>12,344,660</u>
EXPENSES:		
Operating Expenses		
Compensation and employee benefits	298,717,056	110,500
Services and supplies	130,586,211	11,255,886
Utilities	12,103,332	87,022
Depreciation	23,322,764	181,982
Scholarships and fellowships	9,961,584	—
Total operating expenses	<u>474,690,947</u>	<u>11,635,390</u>
Operating income/(loss)	<u>(148,430,925)</u>	<u>709,270</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	126,020,449	—
Federal appropriations	10,338,885	—
Gifts	24,295,651	10,000
Interest income	4,916,049	162,497
Endowment income	6,768,499	—
Interest on capital asset related debt	(6,793,919)	(64,345)
Other nonoperating revenues	990,591	—
Gain/loss on disposal of capital assets	(1,205,121)	46,926
Refunds to grantors	(100,109)	—
Net nonoperating revenues	<u>165,230,975</u>	<u>155,078</u>
Income before other revenues, expenses, gains or losses	16,800,050	864,348
State capital appropriations	2,543,172	—
Capital grants and gifts	2,567,896	—
Additions to permanent endowments	7,004,519	—
Remittances to the State	(299,401)	—
Increase in net assets	<u>28,616,236</u>	<u>864,348</u>
Net Assets		
Net assets, Beginning of Year	427,216,936	5,773,018
Net assets, End of Year	<u>\$ 455,833,172</u>	<u>\$ 6,637,366</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2004

	Clemson University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from customers	\$ 201,800,937
Grants and contracts	91,940,614
Payments to suppliers	(155,345,077)
Payments to employees	(232,792,944)
Payments for benefits	(51,683,185)
Payments to students	(18,543,339)
Inflows from Stafford loans	33,908,997
Outflows from Stafford loans	(5,086,950)
Loans to students	(830,457)
Collection of loans	1,588,935
Net cash provided (used) by operating activities	<u>(135,042,469)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	126,020,449
Federal appropriations	9,699,967
Gifts	49,524,682
Net cash flow provided (used) by noncapital financing activities	<u>185,245,098</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	39,628,864
State capital appropriations	2,543,172
Capital grants and gifts received	1,770,115
Purchases of capital assets	(44,301,300)
Principal paid on capital debt and lease	(9,398,840)
Interest and fees	(6,630,220)
Net cash provided (used) by capital activities	<u>(16,388,209)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	5,423,687
Proceeds from stock sales	413,933
Net cash flows provided (used) by investing activities	<u>5,837,620</u>
Net change in cash	39,652,040
Cash beginning of year	140,552,400
Cash end of year	<u>\$ 180,204,440</u>
Reconciliation of net operating revenues (expense)	
to net cash provided (used) by operating activities:	
Operating income(loss)	\$ (148,430,925)
Adjustments to reconcile net income (loss)	
to net cash provided (used) by operating activities:	
Depreciation expense	23,322,764
Change in asset and liabilities:	
Receivables net	(15,857,880)
Grants and Contracts Receivable	921,737
Student loans receivable	(442,369)
Prepaid expenses	(501,438)
Inventories	22,069
Other	(84,019)
Accounts & retainages payable	988,990
Accrued payroll and related liabilities	4,232,077
Accrued Compensated absences and related liabilities	587,000
Deferred revenue	(185,202)
Deposits held for others	384,727
Net cash provided (used) by operating activities	<u>\$ (135,042,469)</u>
NON-CASH TRANSACTIONS	
Increase in fair value of investments	\$ 3,386,037
Assets aquired through gifts	780,193
RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:	
Current assets:	
Cash and cash equivalents	110,720,665
Restricted cash and cash equivalents	48,423,064
Noncurrent assets	21,060,711
Total cash and cash equivalent balances	<u>\$ 180,204,440</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2004

Assets

Cash and cash equivalents	\$ 8,575,888
Contributions receivable, net	23,630,320
Other receivables	105,695
Due from related organizations	2,249,828
Investments	198,022,636
Investments held for Clemson University	55,521,370
Investments held in trust for affiliate	2,084,036
Cash surrender value of life insurance	1,025,974
Land held for resale	11,900
Land, buildings and equipment, net	9,459,850
Total assets	\$ 300,687,497

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued liabilities	\$ 184,988
Due to related organizations	47,264
Accrued liability to Clemson University due to net investment appreciation	7,942,438
Note payable to Clemson University	47,578,932
Deferred royalty revenue	66,667
Actuarial liability of annuities payable	7,789,038
Trust funds administered for affiliate	2,084,036
Total liabilities	65,693,363

Net assets:

Unrestricted	17,667,558
Temporarily restricted	65,490,856
Permanently restricted	151,835,720
Total net assets	234,994,134
Total liabilities and net assets	\$ 300,687,497

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Gifts and bequests	\$ 3,428,355	\$ 2,861,667	\$ 12,172,496	\$ 18,462,518
Income on investments	577,793	1,932,678	53	2,510,524
Net realized and unrealized gains (losses) on investments	3,120,936	24,423,685	214,817	27,759,438
Program income	555,833	406,144	1,100	963,077
Other income	624,964	214,093	47,803	886,860
Change in value of split-interest agreements	38,371	268,167	1,503,030	1,809,568
Total revenues and gains (losses)	8,346,252	30,106,434	13,939,299	52,391,985
Net assets released from restrictions	10,212,805	(10,212,805)	—	0
Total revenues, gains (losses), and other support ...	18,559,057	19,893,629	13,939,299	52,391,985
Expenses:				
Program expenses - board	1,412,738	—	—	1,412,738
Program expenses - endowments	5,232,149	—	—	5,232,149
Program expenses - operations	3,967,499	—	—	3,967,499
Program expenses - capital projects	1,162,743	—	—	1,162,743
Total program expenses	11,775,129	0	0	11,775,129
General and administrative	725,442	—	—	725,442
Fundraising	603,257	—	—	603,257
Total expenses	13,103,828	0	0	13,103,828
Change in net assets	5,455,229	19,893,629	13,939,299	39,288,157
Net assets at beginning of year	12,212,329	45,597,227	137,896,421	195,705,977
Net assets at end of year	\$ 17,667,558	\$ 65,490,856	\$ 151,835,720	\$ 234,994,134

See accompanying notes to basic financial statements.

**NOTE 1.
SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Nature of Organization

Clemson University is a State-supported, coeducational institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the University. The University was established as an institution of higher education by Section 59-119-20 of the Code of Laws of South Carolina in accordance with the will of Thomas Green Clemson and the Act of Acceptance of the General Assembly of South Carolina. The University is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints some of their board members and budgets a significant portion of their funds.

The University is governed by a board of thirteen members, including six elected by the State Legislature and seven self-perpetuating life members. Accordingly, as such it administers, has jurisdiction over, and is responsible for the management of the University.

Reporting Entity

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

For the year ended June 30, 2004, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and clarifies reporting requirements for those organizations. Based on these criteria, the financial statements now include the accounts of the University, as the primary government,

and the accounts of the following two entities as discretely presented component units.

The Clemson University Foundation (CUF) is a separately chartered corporation organized exclusively to promote the development and welfare of Clemson University in its educational and scientific purposes. CUF's activities are governed by its Board of Directors. CUF is considered a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. CUF is considered a nongovernmental component unit since it does not meet the definition of a governmental entity. None of the following characteristics of a governmental entity apply to CUF: a) Organization is a public corporation; b) Organization is a body corporate and politic; c) A controlling majority of the members of the organization are elected or appointed by governmental officials; d) There is potential for unilateral dissolution by a government with the net assets reverting to the government; and e) The organization has the power to enact and enforce a tax levy. Because CUF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements. Copies of the separately issued financial statements of the Clemson University Foundation can be obtained by sending a request to the following address: Clemson University Foundation, 110 Daniel Drive, Clemson, SC, 29634.

The Clemson University Research Foundation (CURF) is a separately chartered corporation established to solicit research grants and contracts, then contract the University to perform the research. CURF's activities are governed by its Board of Directors, the majority of which consists of University employees or individuals appointed by the Clemson University Board of Trustees. CURF is considered a component unit, and is discretely presented in the financial statements, because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. Copies of the separately issued financial statements of the Clemson University Research Foundation can be obtained by sending a request to the following address: Clemson University Research Foundation, 223 Brackett Hall, Clemson, SC 29634.

Financial Statement Presentation

The financial statements of the University are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Government*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

NOTES TO FINANCIAL STATEMENTS

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University, along with the Clemson Research Foundation, its discretely presented component unit, is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Clemson University Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Non-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to CUF's financial information in the University's financial reporting entity for these differences.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, the State of South Carolina has elected to apply only those Financial Accounting Standards Board ("FASB") pronouncements issued on or before November, 30, 1989, not in conflict with GASB standards.

The preparation of financial statements in conformity with accounting principles in the United States of America to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The amounts shown in the financial statements in University funds as "cash and cash equivalents" represent petty cash, cash on deposit in banks, cash on deposit with the State Treasurer, cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool, cash invested in various short-term instruments by the State Treasurer and held in separate agency accounts, and certain funds invested with Wachovia and Prudential Securities.

Most State agencies including the University participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

The State's internal cash management pool consists of a

general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The University records and reports its deposits in the general deposit account at cost. It records and reports its special deposit account at fair value. Investments held by the pool are recorded at fair value. Interest earned by the University's special deposit accounts is posted to its account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the University's accumulated daily income receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year end based on the percentage of ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having an internal maturity of three months or less at the time of acquisition. For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered to be cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Receivables

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of South Carolina. Accounts receivable are recorded net of estimated collectible amounts.

Grants and contracts receivable include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Also included are amounts due for Federal loan and scholarships programs and reimbursements for Federal land-grant expenditures.

Contributions receivable are accounted for at their estimated net realizable value. The estimated net realizable value comprehends the present value of long-term pledges and reductions for any allowance for uncollectible pledges. Pledges vary from one to ten years and are used to support

NOTES TO FINANCIAL STATEMENTS

specifically identified University programs and initiatives.

Amounts due from the Clemson University Foundation are pursuant to a Memorandum of Understanding between the University and that entity prompted by a 1999 change in the South Carolina Code of Laws that allowed state-supported universities to lend endowment balances to separately chartered not-for-profit entities whose existence is primarily providing financial assistance and other support to the institution and its educational programs. For additional information regarding this loan, see Note 3.

Student loans receivable consists of amounts due from the Federal Perkins Loan Program, and from other loans administered by the University.

Interest and income receivable consists of amounts due from the State Treasurer relating to holdings in the State's internal cash management pool and cash invested in various short-term investments by that agency.

Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market. Items accounted for as University inventories using the moving weighted average method include: maintenance supplies, housing supplies, janitorial and auto supplies, printing and graphic supplies, office supplies, telecommunications supplies and medical supplies.

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, and cash and investments representing permanent endowments are classified as noncurrent assets in the statement of net assets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year and depreciable land improvements, buildings and improvements, and intangible assets, including internally developed software, costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 40 years for buildings and improvements and land improvements and 6 to 20 years for machinery, equipment, and vehicles. Internally developed software is depreciated using the straight-

line method over a three year period. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Deferred Revenues

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

Deposits

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, other deposits, and student fee refunds. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Funds Held for Others

Current balances in Funds Held for Others result from the University acting as an agent, or fiduciary, for another entity. These include amounts due to other universities in the National Textile Consortium, and amounts due for various study abroad programs. Noncurrent balances represent the Federal liability for the Perkins Loan Program, and longevity incentives for athletic coaches.

Prepaid Expenses

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of prepaid insurance, prepaid postage, prepaid airline tickets, and advance payments for maintenance and service agreements.

Internal Service and Auxiliary Enterprise Activities

Both revenue and expenses relating to internal service (including information technology costs) and auxiliary enterprise activities including print shop, office equipment, maintenance, transportation services, telecommunications, institutional computing, bookstores, and cafeterias have been eliminated.

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory overtime leave earned for which the

NOTES TO FINANCIAL STATEMENTS

employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments net change in the liability is recorded in the current year in the applicable functional expenditure categories.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets

The University's net assets are classified as follows:

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

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

Restricted Net Assets - Nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either

restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

Income Taxes

The University is a political subdivision of the State of South Carolina and is consequently exempt from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

The Internal Revenue Service has determined that both the Clemson University Foundation and the Clemson University Research Foundation qualify as exempt organizations under Internal Revenue Code Section 501(c)(3) and as such are exempt from taxation on related income.

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts, and (4) interest on institutional loans. Operating expenses include all expense transactions incurred other than those related to investing, capital or noncapital financing activities.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income. Nonoperating expenses include interest paid on capital asset related debt, losses on the disposal of capital assets, and refunds to grantors.

Educational Activities Revenue

Revenues from sales and services of educational activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from various activities related to the University's agricultural public service mission, including pesticide registration and licensing fees, livestock, poultry and health test fees, extension service fees, forest product sales, and youth camp fees. These unrestricted revenues are collectively labeled "Sales and Services of Educational Departments".

NOTES TO FINANCIAL STATEMENTS

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Deferred Charges

Deferred charges connected with bond issuance costs are reported as an asset titled "Other" and are amortized over the lives of the bond issues on a straight-line basis.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than \$5 million in total of all such debt in a calendar year or if they meet specified targets for expenditures of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. Arbitrage expenditures are valued using the rebate method. The expenditure and liability, if any, are recorded and a reserve fund to liquidate the liability is established.

NOTE 2.

CASH AND CASH EQUIVALENTS, DEPOSITS AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain monies are deposited or invested with or managed by financial institutions and brokers.

The following schedule reconciles deposits and investments within the footnotes to the balance sheet amounts:

Reconciliation of Deposits and Investments

Statement of Net Assets

Cash and cash equivalents	\$ 180,204,440
Investments	3,071,844

Total	\$ 183,276,284
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Footnotes

Cash on hand	\$ 227,870
Deposits held by State Treasurer	178,517,087
Other deposits	1,459,483
Investments held by State Treasurer	154,439
Other investments	2,917,405

Total	\$ 183,276,284
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Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. Of the \$178,517,087 identified above as "Deposits held by State Treasurer", \$2,334,572 is attributable to unrealized gains.

Other Deposits

The University's other deposits at year-end were entirely

covered by federal depository insurance or collateral held by custodial banks.

The University's other deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. There are three categories of deposit credit risk as follows:

- 1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

NOTES TO FINANCIAL STATEMENTS

- 3) Uninsured or uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.

A summary of June 30, 2004, bank balances by risk category follows:

Other Deposits by Risk Category

	Category 1	Category 2	Category 3	Bank Balance	Reported Amount
Insured (FDIC)	<u>\$ 1,603,149</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,603,149</u>	<u>\$ 1,459,483</u>

Investments Held by State Treasurer

Investments held by State Treasurer comprise investments held for the University and the State of South Carolina which are legally restricted and earnings thereon become revenue of the specific fund from which the investment was made. These investments are specific, identifiable investment securities. Investments consist of Agricultural College stock with a carrying amount of \$95,900 and Perpetual stock with a carrying amount of \$58,539 held by the State Treasurer as Trustee in Perpetuity on which they are required to pay the University 6 percent per year. Since there is no readily determinable fair value for these investments, they have been assigned a fair value equal to their historical cost value.

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three investment risk categories used for classification of securities. Investment funds are not required to be categorized. The University had interests in the following:

Other Investments

Other Investments

The University also has investments in bond and equity investment funds as authorized by numerous donors. All of the University's investments are held in the endowment and similar funds. The bond and equity investment funds with a fair value of \$2,917,405, are held by Wachovia, Inc., as trustee in accordance with the endowment agreement specified by the donor.

"Other Investments" are stated at fair value and include unrealized appreciation of \$1,052,701. Purchases and sales are accounted for on the trade date. Both unrealized and realized gains and losses on investments have been recorded in the fund holding the investment. Earnings are recorded on an accrual basis.

	Carrying Amount	Fair Value
Equity investment funds	\$ 1,751,019	\$ 1,751,019
Bond investment funds	<u>1,166,386</u>	<u>1,166,386</u>
Total investments	<u>\$ 2,917,405</u>	<u>\$ 2,917,405</u>

NOTES TO FINANCIAL STATEMENTS

**NOTE 3.
RECEIVABLES**

University receivables reported in the Statement of Net Assets as of June 30, 2004, were as follows:

University Receivables

	Current	Noncurrent	Total
Accounts receivable	\$ 5,358,502	\$ —	\$ 5,358,502
Grants and contracts receivable	23,791,040	—	23,791,040
Contributions receivable	828,321	2,625,075	3,453,396
Notes receivable	—	55,521,370	55,521,370
Student loans receivable	4,445	7,432,801	7,437,246
Interest and income receivable	1,702,912	—	1,702,912
Total receivables	\$ 31,685,220	\$ 65,579,246	\$ 97,264,466

Accounts receivable are reported net of allowances for doubtful accounts of \$99,563 based on credit losses experienced in prior years and evaluation of current portfolios. Student payment allowances of \$60,000, parking services allowances of \$34,563, and telecommunications allowances of \$5,000 comprise this amount. Contributions receivable are reported net of allowances for current uncollectible pledges of \$153,297 and allowances for noncurrent uncollectible pledges of \$622,206.

Accounts receivable for the year ended June 30, 2004, were comprised of the following balances:

Accounts Receivable

Auxiliaries	\$ 1,354,993
Computer services	1,209,311
Students/Scholarships	1,095,171
Professional development/conferences	491,919
Camps	415,035
Educational programs	259,028
Fees	391,893
Municipal services	50,299
Royalties	58,010
Other	32,843
Total accounts receivable	\$ 5,358,502

Grants and contracts receivable are comprised of amounts due for sponsored research projects, federal land-grant appropriations, and federal scholarship programs. Grants and contract receivable for the year ended June 30, 2004, were comprised of the following balances:

Grants and Contracts Receivable

	Federal	State	Local	Nongovernmental	Total
Sponsored research	\$ 18,129,796	\$ 1,064,851	\$ 79,503	\$ 2,466,788	\$ 21,740,938
Land-grant appropriations	1,848,937	—	—	—	1,848,937
Scholarship programs	201,165	—	—	—	201,165
Total grants and contracts receivable	\$ 20,179,898	\$ 1,064,851	\$ 79,503	\$ 2,466,788	\$ 23,791,040

NOTES TO FINANCIAL STATEMENTS

Contributions receivable are comprised of pledges for gifts to support specifically identified University programs and to provide athletic scholarships. Contributions receivable are accounted for at their estimated net realizable value, or the present value of long-term pledges and reductions for allowances for uncollectible pledges. Pledges vary from one to ten years.

Contributions Receivable

	Current	Noncurrent	Total
University programs	\$ 29,570	\$ 463,257	\$ 492,827
Athletic scholarships	798,751	2,161,818	2,960,569
Total receivables	\$ 828,321	\$ 2,625,075	\$ 3,453,396

Part II, Section 9 of the 1998-99 State Appropriations Act amended the South Carolina Code of Laws by adding Section 59-101-410. This amendment allowed the governing boards of state-supported universities to lend their endowment and auxiliary enterprise funds on deposit with the State Treasurer's Office to separately chartered not-for-profit legal entities whose existence is primarily providing financial assistance and other support to the institution and its educational program.

Accordingly, as of June 30, 2004, the University had notes receivable from the Clemson University Foundation, a component unit, totaling \$55,521,370. This amount includes the original loan of \$35,358,188, additional amounts totaling \$12,220,744 loaned since the fiscal year 1999 original loan, plus related income and appreciation. Funds loaned to the Clemson University Foundation will be paid back to the University with interest at a rate equal to that which is necessary to produce a sum which is equal to the total return (consisting of appreciation and income), provided, however, such rate will not be less than zero. The Memorandum of Understanding between Clemson University and the Clemson University Foundation is for a ten

year period. It is reviewed annually by both parties and may be extended automatically for an additional twelve month period unless either party provides written notice of objection to the extension, in which case, the Memorandum of Understanding will not automatically extend for an additional twelve month period. The above notwithstanding, either party may terminate the Memorandum of Understanding at any time without cause upon one hundred eighty days written notice to the other party.

With minor exceptions, losses for loans to students are not estimated or recorded in allowances for uncollectible accounts. At the time a loan is considered uncollectible it is charged to principal. Any account receivable written off is recognized in the period in which the receivable is considered uncollectible. Based on past experience, potential losses are not deemed material.

Interest and income receivable consists of amounts due from the State Treasurer relating to holdings in the State's internal cash management pool and cash invested in various short-term investments by that agency.

NOTES TO FINANCIAL STATEMENTS

**NOTE 4.
CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004, is summarized as follow:

Capital Assets

	Beginning Balance July 1, 2003	Increases	Decreases	Ending Balance June 30, 2004
Capital assets not being depreciated:				
Land and improvements	\$ 7,102,625	\$ —	\$ —	\$ 7,102,625
*Construction in Progress	25,639,677	31,150,640	25,627,665	31,162,652
Total capital assets not being depreciated:	<u>32,742,302</u>	<u>31,150,640</u>	<u>25,627,665</u>	<u>38,265,277</u>
Other capital assets:				
Utilities Systems and Other Non-Structural Improvements	23,252,597	1,065,446	—	24,318,043
Buildings and improvements	448,470,876	29,899,728	1,893,155	476,477,449
Computer Software	607,400	—	—	607,400
Equipment	117,322,379	8,861,737	4,416,757	121,767,359
Vehicles	12,608,814	1,114,326	831,649	12,891,491
Total other capital assets at historical cost:	<u>602,262,066</u>	<u>40,941,237</u>	<u>7,141,561</u>	<u>636,061,742</u>
Less accumulated depreciation for:				
Utilities Systems and Other Non-Structural Improvements	8,937,428	1,007,020	—	9,944,448
Buildings and improvements	160,515,361	11,689,041	1,491,487	170,712,915
Computer software	202,467	202,466	—	404,933
Equipment	79,980,560	10,238,516	3,457,404	86,761,672
Vehicles	9,436,133	185,721	801,366	8,820,488
Total accumulated depreciation:	<u>259,071,949</u>	<u>23,322,764</u>	<u>5,750,257</u>	<u>276,644,456</u>
Depreciable capital assets, net	<u>343,190,117</u>	<u>17,618,473</u>	<u>1,391,304</u>	<u>359,417,286</u>
Capital assets, net	<u>\$ 375,932,419</u>	<u>\$ 48,769,113</u>	<u>\$ 27,018,969</u>	<u>\$ 397,682,563</u>

* Includes current fiscal year capitalized interest of \$819,329

**NOTE 5.
DEFERRED REVENUES**

Deferred revenues consist primarily of athletic ticket sales and related fees and unearned student revenues for the second summer session and fall semester. These monies were collected in advance and were not earned at June 30, 2004.

Athletic sales and related event receipts include: advance sales of football tickets, executive box rental fees, and program advertising fees. Unearned student revenues consist mainly of student tuition and fees, room and board, and other fees related to the second summer session. Also included are admission fees for the fall semester.

Public Service Program receipts result from letter-of-credit draw-downs of federal appropriations for Hatch and Smith Lever funds for the University's agricultural research and extension programs. Fees collected in advance for municipal services, professional development and continuing education courses, contract credit courses, and various departmental accounts comprise the remaining balance of deferred revenues.

A summary listing of deferred revenue follows:

Deferred Revenues

Athletic event receipts - fall semester	\$ 9,233,950
Sponsored research programs	4,286,000
Academic and other fees - second summer semester	4,196,793
Other auxiliary fees - second summer session	632,256
Admission fees - fall semester	297,100
Public Service programs	121,818
Professional development fees	128,571
Educational Programs	66,744
Other	40,418
Totals	<u>\$ 19,003,650</u>

NOTES TO FINANCIAL STATEMENTS

**NOTE 6.
BONDS PAYABLE AND NOTES PAYABLE**

Bonds Payable

At June 30, 2004, bonds payable consisted of the following:

BONDS PAYABLE

	Interest Rate	Maturity Dates	June 30, 2004 Balance	Debt Retired in Fiscal Year 2004
General Obligation Bonds				
Bonds dated 5/01/92 (Series 1992B)	—	—	\$ —	\$ 1,420,000
Bonds dated 4/01/95 (Series 1995A)	5.10-5.25%	6/1/2010	1,555,000	210,000
Bonds dated 6/01/97 (Series 1997B)	4.70-4.80%	6/1/2010	5,155,000	545,000
Bonds dated 7/01/02 (Series 2002B)	3.50-4.375%	6/1/2017	21,060,000	520,000
Bonds dated 3/01/03 (Series 2003B)	2.50-4.50%	6/1/2017	11,290,000	710,000
Bonds dated 12/01/03 (Series 2003F)	2.50-4.25%	6/1/2018	10,400,000	600,000
			<u>49,460,000</u>	
Plant Improvement Refunding Bonds				
Bonds dated 3/01/98 (Series 1998)	4.15-4.50%	5/1/2011	5,070,000	615,000
			<u>5,070,000</u>	
Revenue Bonds				
Bonds dated 1/01/98 (Series 1998A)	4.625-4.75%	5/1/2012	15,880,000	1,745,000
Bonds dated 5/01/00 (Series 2000)	5.50-6.25%	5/1/2015	20,040,000	810,000
Bonds dated 8/01/03 (Series 2003)	4.00-5.00%	5/1/2018	27,290,000	—
			<u>63,210,000</u>	
Athletic Facilities Revenue Bonds				
Bonds dated 6/01/01 (Series 2001)	4.00-4.75%	5/1/2016	17,935,000	1,040,000
Bonds dated 6/01/03 (Series 2003)	3.00-5.00%	5/1/2023	7,000,000	—
			<u>24,935,000</u>	
Subtotal Bonds Payable			142,675,000	8,215,000
Plus Unamortized Bond Premium			771,708	55,122
Total Bonds Payable			<u>\$ 143,446,708</u>	<u>\$ 8,270,122</u>

Bonds issued by the University include certain restrictive covenants. General Obligation Bonds of the State are backed by the full faith, credit and taxing power of the State. Tuition and matriculation fees paid to the University are pledged for the payment of principal and interest on these bonds. Plant Improvement Refunding Bonds are limited obligations of the University payable solely from, and secured by a pledge of a special student fee for plant improvements. Auxiliary Revenue Bonds are payable solely from and secured by a pledge of revenues of the University's housing facilities, bookstores, dining services, parking and vending, and from additional funds from the academic "University" fee imposed by the Board of Trustees. Athletic Facilities Revenue Bonds are payable solely from the net revenues of the University's Athletic Department and the gross receipts from the imposition of any admissions fee and any special student fee.

The University purchased a bond insurance policy payable to the bond trustee for the Plant Improvement Refunding Bonds, Series 1998; the Revenue Bonds, Series 1998A, Series

2000 and Series 2003; and the Athletic Facilities Revenue Bonds, Series 2001 and 2003. In addition, a surety bond was purchased for the Athletic Facilities Revenue Bonds, Series 2001 and 2003. The insurance guarantees payment of principal and interest until all debt has been retired.

Tuition fees for the fiscal year ended June 30, 2003 were \$6,876,168 which results in a legal annual debt service limit at June 30, 2004 of \$6,188,551. This amount is equal to 90% of tuition fees collected for the prior fiscal year.

The series 1995A General Obligation Bonds maturing on and after June 1, 2006, are subject to redemption in whole or if in part on June 1, 2005, and all subsequent payment dates in inverse chronological order of maturity, at the option of the State of South Carolina, at the following redemption prices: June 1, 2005 and December 1, 2005 at 102 percent; June 1, 2006 and December 1, 2006 at 101 percent; June 1 2007 and thereafter at par.

The series 1997B General Obligation Bonds maturing on and after June 1, 2008, are subject to redemption at the

NOTES TO FINANCIAL STATEMENTS

option of the State, in whole or in part, but if in part, in inverse chronological order of maturity, on and after June 1, 2007, and on all subsequent bond payment dates at the following redemption prices: June 1, 2007 and December 1, 2007 at 102 percent; June 1, 2008 and December 1, 2008 at 101 percent; June 1, 2009 and thereafter at par.

The series 1998A Auxiliary Revenue Bonds maturing on or after May 1, 2008 are subject to redemption at the option of the University on and after May 1, 2007 in whole or in part at any time upon 30 days notice, at a declining premium. After May 1, 2007, the Auxiliary Revenue Bonds can be redeemed at 101% through April 30, 2008 and from May 1, 2008 through April 30, 2009 at 100.5% of par. After April 30, 2009 they can be redeemed at par.

The Series 1998 Plant Improvement Refunding Bonds are not subject to redemption prior to maturity.

The Series 2000 Auxiliary Revenue Bonds maturing prior to May 1, 2010 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2010 at the option of the University on and after May 1, 2009, in whole or in part at any time, and if in part in those maturities designated by the University and by lot within a maturity, upon 30 days notice at the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2009 through April 30, 2010 at 101 percent and May 1, 2010 and thereafter at 100 percent.

The Series 2001 Athletic Facilities Revenue Bonds maturing prior to May 1, 2012 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2011 at the option of the University on or after May 1, 2012, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2011 through April 30, 2012 at 101 percent and May 1, 2012 and thereafter at 100 percent.

The Series 2002B General Obligation Bonds maturing on and after June 1, 2013, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on or after June 1, 2012, at the redemption prices expressed as a percentage of the principal amount to be redeemed at the following redemption prices: June 1, 2012 through May 31, 2013 at 101 percent and June 1, 2013 and thereafter at 100 percent.

The Series 2003B General Obligation Bonds maturing on and after June 1, 2013, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on or after June 1, 2012, at the redemption prices expressed as a percentage of the principal amount to be redeemed at the following redemption prices: June 1, 2012 through May 31, 2013 at 101 percent and June 1, 2013 and thereafter at 100 percent.

The Series 2003 Athletic Facilities Revenue Bonds maturing prior to May 1, 2014 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2014 at the option of the Board of Trustees on or after May 1, 2013, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2013 through April 30, 2014 at 101 percent and May 1, 2014 and thereafter at 100 percent.

During the fiscal year ending June 30, 2004, the State of South Carolina issued on behalf of the University, General Obligation Bonds in the amount of \$11,000,000. The proceeds of these bonds were to be used to construct certain research facilities for Clemson University and to refund the remaining \$1,095,000 balance of the Series 1992B General Obligation Bonds. The Series 2003F General Obligation Bonds maturing on and after June 1, 2014, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on and after June 1, 2013, at the redemption price of par plus accrued interest to the date fixed for redemption. The Series 2003F General Obligation Bonds are secured by a pledge of the full faith, credit and taxing power of the State and by a pledge of the tuition fees of the University. In December, 2003, \$1,128,514 of the net proceeds were used to purchase United States government securities to refund the Series 1992B General Obligation Bonds on June 1, 2004. This current refunding resulted in a difference between the reacquisition price and the carrying amount of \$38,325. This relatively immaterial difference is reported in the accompanying financial statements as interest expense. The bonds were refunded to reduce total debt service payments over the next three years by \$95,475 and to obtain an economic gain of approximately \$33,500.

During the fiscal year ending June 30, 2004, Clemson University issued Revenue Bonds, Series 2003, in the amount of \$27,290,000. The proceeds of these bonds are being used to partially fund the cost of renovating certain residence hall facilities. The Series 2003 Revenue Bonds maturing prior to May 1, 2014 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2014 at the option of the Board of Trustees on or after May 1, 2013, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2013 through April 30, 2014 at 101 percent and May 1, 2014 and thereafter at 100 percent. The Series 2003 Revenue Bonds are payable from and secured by a pledge of the net revenues from the operation of the Facilities and additional funds of the University. The \$826,830 bond premium associated with this issuance is being amortized over the fifteen year life of the bonds using the straight-line method.

NOTES TO FINANCIAL STATEMENTS

All of the bonds are payable in semiannual installments plus interest. Amounts including interest required to complete payment of the revenue bonds and athletic facilities revenue bond obligations as of June 30, 2004, are as follows:

Revenue and Athletic Facilities Revenue Bonds

Year Ending June 30	Principal	Interest	Total
2005	\$ 3,700,000	\$ 4,268,996	\$ 7,968,996
2006	4,590,000	4,097,190	8,687,190
2007	4,815,000	3,888,534	8,703,534
2008	5,055,000	3,669,403	8,724,403
2009	5,315,000	3,436,765	8,751,765
2010 through 2014	30,885,000	13,169,530	44,054,530
2015 through 2019	29,560,000	4,606,985	34,166,985
2020 through 2023	4,225,000	509,375	4,734,375
	<u>\$ 88,145,000</u>	<u>\$ 37,646,778</u>	<u>\$ 125,791,778</u>

Amounts including interest required to complete payment of the Plant Improvement bonds as of June 30, 2004, are as follows:

Plant Improvement Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2005	\$ 635,000	\$ 220,768	\$ 855,768
2006	665,000	194,415	859,415
2007	690,000	166,485	856,485
2008	720,000	137,160	857,160
2009	750,000	106,200	856,200
2010 through 2011	1,610,000	109,350	1,719,350
	<u>\$ 5,070,000</u>	<u>\$ 934,378</u>	<u>\$ 6,004,378</u>

Amounts including interest required to complete payment of the General Obligation Bonds as of June 30, 2004, are as follows:

General Obligation Bonds

Year Ending June 30	Principal	Interest	Total
2005	\$ 2,855,000	\$ 1,939,979	\$ 4,794,979
2006	2,950,000	1,844,864	4,794,864
2007	3,055,000	1,743,120	4,798,120
2008	3,160,000	1,636,755	4,796,755
2009	3,285,000	1,514,647	4,799,647
2010 through 2014	18,475,000	5,509,110	23,984,110
2015 through 2018	15,680,000	1,562,165	17,242,165
	<u>\$ 49,460,000</u>	<u>\$ 15,750,640</u>	<u>\$ 65,210,640</u>

In prior years the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the University's financial statements. At June 30, 2004, \$105,000 of bonds outstanding are considered defeased. The University was in compliance with all applicable bond covenants as of June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

The University reported principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 2004:

PRINCIPAL RETIREMENTS AND INTEREST EXPENDITURES

Bond Type	Principal	Interest
General Obligation Bonds	\$ 4,005,000	\$ 1,921,142
Plant Improvement Refunding Bonds	615,000	241,780
Revenue Bonds	2,555,000	3,047,506
Athletic Facilities Revenue Bonds	1,040,000	1,104,744
	\$ 8,215,000	\$ 6,315,172

Notes Payable

At June 30, 2004, notes payable consisted of the following:

Notes Payable

	Interest	Maturity	Amount
First Union National Bank			
Note dated 1/30/98	4.796%	2/1/2005	\$ 54,102
CU Foundation (CUF)			
Note dated 6/30/03	variable	6/30/2008	489,593
SC Energy Office			
Note dated 7/1/03	1.000%	7/1/2013	489,534
City of Clemson			
Note dated 10/7/03	n/a	7/15/2005	15,000
Total			\$ 1,048,229

The Note Payable dated 1/30/98 is under the State Treasurer's Office Master Lease Program which is financed by First Union National Bank. First Union National Bank retains a security interest in the equipment and vehicles purchased in these notes.

The Note Payable dated 6/30/03 is with the Clemson University Foundation (CUF). Proceeds were used to construct a new building at the Apparel Research Facility.

During the fiscal year ending June 30, 2004, the University entered into a loan agreement with the South Carolina Energy Office whereby the Energy Office loaned the University \$489,534 to upgrade the lighting in several buildings on campus. The loan currently bears interest at 1.00 percent per annum on the unpaid balance. Principal and interest is payable in annual installments of \$51,699.99 for 10 years, assuming 1.00 percent throughout the term of the loan.

During the fiscal year ending June 30, 2004, the University entered into a loan agreement with the City of Clemson whereby the City loaned the University \$22,500 to resurface nine intramural tennis courts. The loan bears no interest. Principal is payable in three equal amounts of \$7,500.

Future payments on the note payable are to be funded from future operating revenues.

NOTES TO FINANCIAL STATEMENTS

The aggregate debt service payments due on the notes payable at June 30, 2004 are as follows:

Debt Service - Notes Payable

Year Ending June 30	Principal	Interest	Total
2005	\$ 223,608	\$ 25,316	\$ 248,924
2006	174,631	18,237	192,868
2007	172,449	12,919	185,368
2008	177,968	7,401	185,369
2009	48,689	3,011	51,700
2010 through 2013	250,884	7,615	258,499
Total Obligations	\$ 1,048,229	\$ 74,499	\$ 1,122,728

Total principal paid on notes payable was \$169,505 for the year ended June 30, 2004. Total interest expense for notes payable was \$32,007.

NOTE 7. LEASE OBLIGATIONS

The University is obligated under various operating leases for the use of real property (land, buildings, office space) and equipment and also is obligated under capital leases and installment purchase agreements for the acquisition of real property. All capital and operating leases are with parties outside state government.

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2004, were as follows:

CAPITAL AND OPERATING LEASE COMMITMENTS

Year Ending June 30:	Capital Leases	Operating Leases
2005	\$ 1,471,349	\$ 529,344
2006	1,471,349	351,218
2007	1,471,349	204,764
2008	802,939	44,988
2009	525,000	44,988
2010 through 2011	1,006,250	—
Total minimum lease payments	6,748,236	\$ 1,175,302
Less: Interest	1,208,357	
Less: Executory Costs	185,024	
Principal outstanding	\$ 5,354,855	

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2007 and 2011. Expenditures for fiscal year 2004 were \$1,471,429, of which \$414,289 represented interest and \$32,451 represented executory costs. Total principal paid on capital leases was \$1,014,335 for the fiscal year ended June 30, 2004. Interest rates range from 5.50 percent to 7.58 percent.

NOTES TO FINANCIAL STATEMENTS

The following is a summary of the carrying values of assets held under capital lease at June 30, 2004:

Assets Held Under Capital Lease

	Value at Lease Inception	Accumulated Depreciation	Net
Land	\$ 122	\$ —	\$ 122
Buildings	13,908,588	5,489,047	8,419,541
Totals	\$ 13,908,710	\$ 5,489,047	\$ 8,419,663

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

The University had two capital leases with the Clemson University Research Foundation (CURF), its component unit, in the current fiscal year. In March 1988, the University entered into a capital lease of \$925,000 at 7.50 percent with CURF, a component unit, whereby the University leases land and a building for a twenty year period that began April 1988, and expires May 2008. The outstanding liability at June 30, 2004, on this capital lease is \$290,851. The University at its option may terminate the lease and purchase CURF's interest for the unamortized principal balance and the payment of \$1. In December 1998, the University entered into a capital lease of \$2,792,453 at 5.50 percent with CURF whereby the University leases a building for a nine year period that began December 1998, and expires December 2007. The outstanding liability at June 30, 2004, on this capital lease is \$1,009,409. The University at its option may terminate the lease and purchase CURF's interest for the unamortized principal balance and the payment of \$1. The lease payments for fiscal year 2004 through 2007 are computed at a rate of 3.625%.

The University had two capital leases with unrelated parties in the current fiscal year. In June 1991, the University entered into a capital lease of \$5,186,861 at 7.58 percent whereby the University leases a building for a twenty year period that began June 1991, and expires June 2011. The outstanding liability at June 30, 2004 on this capital lease is \$2,642,076. In December 1986, the University entered into a capital lease of \$5,004,395 at 7.5 percent for a computer building whereby the University leases a building for a twenty-year period that began December 1987, and expires December 2007. The University may cancel the lease agreement at the end of any fiscal year when sufficient appropriations, revenues, income, grants or other funding sources are not available. The University has the option to purchase the property for the redemption price and the payment of \$1. However, in the event of cancellation, the University has agreed not to purchase, lease or rent similar facilities for one year following such cancellation. The University is responsible for all operating costs such as repairs, utilities and insurance for this lease. The outstanding liability at June 30, 2004 for this capital lease was \$1,412,518.

Operating Leases

The University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2003 through 2009. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancelable if the State of South Carolina does not provide adequate funding but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

In 1996, the University entered into a real property operating lease with the Clemson University Research Foundation (CURF), a component unit, for office space. The current lease extends through February, 2006. Under this agreement, the University paid CURF \$103,900 in the current year.

In 2000, the University entered into a real property operating lease with CURF, a component unit, for office space. The current lease extends through June, 2005. Under this agreement, the University paid CURF \$38,905 in the current year.

In 2001, the University entered into a real property operating lease with CURF, a component unit, for office space. The current lease extends through July, 2006. Under this agreement, the University paid CURF \$24,800 in the current year.

Noncancellable operating lease expenditures in 2004 were \$1,397,902 for real property and \$67,524 for office equipment. The University reports these costs in functional expenditure categories.

Besides the real property operating leases with CURF mentioned above, the University had no other operating leases with related parties in the current fiscal year.

In the current fiscal year, Clemson University incurred expenses of \$733,824 for office copier contingent rentals on a cost-per-copy basis.

**NOTE 8.
RETIREMENT PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29211-1960. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years earned service (five years earned effective January 1, 2001) and qualify for a survivor's benefit upon completion of 15 years credited service. Effective January 1, 2001 disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years earned service (this requirement does not apply if the disability is the result of a job-related injury). A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of eligible

compensation. Effective July 1, 2003, the employer contribution rate became 10.85 percent which includes a 3.30 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2004, 2003, and 2002, were approximately \$10,377,000, \$10,846,000 and \$10,964,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$206,157 in the current fiscal year at the rate of .15 percent of compensation.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees covered under PORS are eligible for a monthly pension payable at age 55 with a minimum of five years service or 25 years credited service regardless of age. In addition, employees who have five years of credited service prior to age 55 can retire yet defer receipt of benefits until they reach age 55. A member is vested for a deferred annuity with five years service. The benefit formula for full benefits effective since July 1, 1989, for the PORS is 2.14 percent of the employee's average final salary multiplied by the number of years of credited service. Disability annuity benefits and the group-life insurance benefits for PORS members are similar to those for SCRS participants. Accidental death benefits provide a monthly pension of 50 percent of the member's budgeted compensation at the time of death.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 13.60 percent which, as for the SCRS, included a 3.30 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2004, 2003, 2002, were approximately \$213,000, \$253,000 and \$263,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$4,145 and accidental death insurance contributions of \$4,145 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

The amounts paid by the University for pension, group-life insurance, and accidental death benefits are reported as employer contributions expenditures within the applicable functional expenditure categories to which the related salaries are charged.

NOTES TO FINANCIAL STATEMENTS

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates to SCRS (and PORS) are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the University's liability under the plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the University's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS or PORS receive additional service credit (at a rate of 20 days equals one month of service) for up to 90 days for accumulated unused sick leave.

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty, unclassified and classified employees not in temporary or part-time permanent positions who meet all eligibility requirements for membership in the SCRS. Election into either SCRS or ORP must be made within their first fifteen days of employment. A State ORP participant could have irrevocably elected to join the SCRS during the open enrollment period of January 1 – March 31, 2004 during the fifth anniversary of the person's initial enrollment in the State ORP.

A person hired on or after July 1, 2003, to fill a temporary position or a part-time permanent position becomes eligible to participate in the ORP. However, an employee who exercises an option to not participate in the South Carolina Retirement Systems is not eligible to participate in the State Optional Retirement Program, unless a break in service occurs.

All eligible employees shall elect either to join the South Carolina Retirement System or to participate in the State "ORP" within thirty days after entry into service. If an eligible employee fails to make the initial election within the required time, the employee is considered to have elected membership in the

South Carolina Retirement System. An election made pursuant to this section must be made in writing and filed with the retirement system and the appropriate officer of the employee's participating employer and is effective on the date of employment. A State ORP participant who accepts an additional concurrent position with an employer participating in the South Carolina Retirement System must enroll in the State ORP for the second position if the second position is eligible to participate in the State ORP. Also, a member of the South Carolina Retirement System who accepts an additional concurrent position with an employer participating in the South Carolina Retirement System must enroll in the South Carolina Retirement System with respect to that position.

A State ORP participant may irrevocably elect to join the SCRS during any open enrollment period after the first annual anniversary but before the fifth annual anniversary of the person's initial enrollment period in the State ORP. The State ORP participant shall become a member of the SCRS effective on the first of April following the participant's election to join the SCRS.

Any participant in the State ORP program who was a participant in the ORP may irrevocably elect to participate in the SCRS during the open enrollment period from January 1, 2004 to March 1, 2004. A State ORP participant electing to participate in the SCRS shall become a member of the SCRS on April 1, 2004.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.30 from the employer in fiscal year 2004.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$4,128,000 (excluding the surcharge) from the University as employer and \$3,281,000 from its employees as plan members. Employee contributions of 6 percent, and 5 percent of the employer contribution was remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the insurance companies.

NOTE 9. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from state service or who terminated employment and meet eligibility. Eligibility for retiree insurance is based on years of state service credit, or age and years of state service credit. Eligibility rules include regular state funded retiree, age 55/25

NOTES TO FINANCIAL STATEMENTS

year, 5-10 year, disability, police officers retirement, and 20 year rule. Specifics may be obtained from the Employee Insurance Program publication Insurance Benefits Guide. Retiree insurance begins the first of the month after retirement or eligibility is met, provided the necessary forms are completed by the retiree and received by the Employee Insurance Program within state guidelines.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis

The University recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees in the amount of approximately \$14,295,000 for the year ended June 30, 2004. As discussed in Note 8, the University paid approximately \$6,408,000 applicable to the 3.30 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits

applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 10. DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Eligibility rules and penalties may apply. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

NOTE 11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2004 was as follows:

Long Term Liabilities

	July 1, 2003	Additions	Reductions	June 30, 2004	Due Within One Year
Bonds Payable, Notes Payable and Capital Lease Obligations:					
General Obligation Bonds	\$ 42,465,000	\$ 11,000,000	\$ 4,005,000	\$ 49,460,000	\$ 2,855,000
Plant Improvement Bonds	5,685,000	—	615,000	5,070,000	635,000
Revenue Bonds	38,475,000	27,290,000	2,555,000	63,210,000	2,605,000
Athletic Facilities Revenue Bonds	25,975,000	—	1,040,000	24,935,000	1,095,000
Subtotal Bonds Payable	<u>112,600,000</u>	<u>38,290,000</u>	<u>8,215,000</u>	<u>142,675,000</u>	<u>7,190,000</u>
Plus: Unamortized premium	—	826,830	55,122	771,708	55,122
Total Bonds Payable	112,600,000	39,116,830	8,270,122	143,446,708	7,245,122
Notes Payable	705,700	512,034	169,505	1,048,229	223,608
Capital Lease Obligations	6,369,190	—	1,014,335	5,354,855	1,078,501
Total Bonds, Notes & Capital Leases	<u>119,674,890</u>	<u>39,628,864</u>	<u>9,453,962</u>	<u>149,849,792</u>	<u>8,547,231</u>
Other Liabilities:					
Accrued compensated absences	16,697,000	11,208,571	10,621,571	17,284,000	11,532,518
Funds held for others	6,796,019	498,703	74,799	7,219,923	—
Total Other Liabilities	<u>23,493,019</u>	<u>11,707,274</u>	<u>10,696,370</u>	<u>24,503,923</u>	<u>11,532,518</u>
Total Long-Term Liabilities	<u>\$ 143,167,909</u>	<u>\$ 51,336,138</u>	<u>\$ 20,150,332</u>	<u>\$ 174,353,715</u>	<u>\$ 20,079,749</u>

NOTES TO FINANCIAL STATEMENTS

Additional information regarding Bonds and Notes Payable is included in Note 6. Additional information regarding Capital Lease Obligations is included in Note 7. The balance in the long-term liability account "Funds held for others" represents the Federal liability for the Perkins Loan program and longevity incentives for athletic coaches.

NOTE 12 CONSTRUCTION COSTS AND COMMITMENTS

Capitalized

The University has obtained or has plans to obtain the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable capital asset categories upon completion. Management estimates that the University has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next 2 or 3 years at an estimated cost of \$145,912,795. This 145,912,795. includes estimated costs of 125,225,390 for capital projects currently in progress plus \$20,687,405 estimated costs for other capital projects already in service. Of the total estimated cost, 109,930,455 was unexpended at June 30, 2004. Of the total expended through June 30, 2004, the University has capitalized substantially complete and in use projects in the amount of \$30,965,174. Of the unexpended balance the University has remaining commitment balances of \$20,281,202 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of June 30, 2004 was \$1,369,458. Capital projects at June 30, 2004 which constitute construction in progress that are to be capitalized when completed are listed below.

Construction Costs and Commitments

Project Number	Project	Approximate Cost	Amount Expended
9694	Athletic Facilities Construction/Renovation	\$ 28,984,172	\$ 2,464,804
9807	Academic Support Center	385,000	271,948
9831	ICAR Graduate Engineering Center	26,500,000	2,593
9832	ICAR Group Data Center	15,000,000	752,287
9793	Fraternity Dormitories Renovation	24,390,000	7,809,274
9810	Jervey McFadden Renovation	1,500,000	112,840
9776	Microcreamery	50,000	42,205
9532	Sandhill REC Office/Lab Building	6,900,000	203,737
9812	President's Park Rotunda	36,000	20,634
9800	Research Lab Building	21,125,218	19,434,880
9815	Rowing Facility	100,000	30,527
9801	Washdown Facility	255,000	16,923
		<u>\$ 125,225,390</u>	<u>\$ 31,162,652</u>

The amount expended includes only capitalized project expenditures and capitalized interest on construction debt for projects less than 95% complete and not in service at June 30, 2004. No noncapitalized expenditures are included in these totals.

Non-Capitalized

At June 30, 2004 the University had in progress other capital projects which are not to be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total \$28,480,323. This amount includes costs incurred to date of \$11,674,238 and estimated costs to complete of \$16,806,085. The University has remaining commitment balances with certain parties related to these projects of \$3,114,464. Retainages payable on the non-capitalized projects as of June 30, 2004, was \$133,072. The University anticipates funding these projects out of current resources, current and future bond issues, state capital improvement bond proceeds, private gifts and student fees.

NOTE 13. RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program.

The activities of these entities are not included in the University's financial statements. However, the University's statements include transactions between the University and its related parties.

NOTES TO FINANCIAL STATEMENTS

In conjunction with GASB Statements No. 14 and No. 39, “*Determining Whether Certain Organizations Are Component Units*”, management annually reviews its relationships with the related parties described in this note. The University excluded these related parties from the reporting entity because it is not financially accountable for them.

Following is a more detailed discussion of each of these entities and a summary of significant transactions (if any) between these entities and Clemson University.

Clemson University Real Estate Foundation

The Clemson University Real Estate Foundation, Inc., is a separately chartered entity organized to hold, and invest acquired real estate property. The Real Estate Foundation’s actions are governed by its Board of Directors. This entity had no transactions with the University and did not significantly require the time or services of any University employees.

Clemson University Continuing Education and Conference Complex Corporation

The Clemson University Continuing Education and Conference Complex Corporation (Finance Corporation), is a separately chartered corporation established in September, 1993, to construct, operate and manage the golf course and hotel components of the Clemson University Continuing Education and Conference Complex. The Finance Corporation’s actions are governed by its Board of Directors.

By July, 1998, both the golf course and hotel were completed and in operation. The Finance Corporation reimbursed the University \$66,224 for salaries for time devoted by University employees to the Finance Corporation.

Clemson Advancement Foundation For Design and Building

The Clemson Advancement Foundation For Design & Building is a separately chartered eleemosynary corporation established to support and enrich the professional programs in the College of Architecture, Arts & Humanities. The Design & Building Foundation’s actions are governed by its Board of Trustees.

The University’s financial statements reflect \$153,000 in expenditures to reimburse the Design & Building Foundation for administrative and educational expenditures incurred at the Charles E. Daniel Center for Building Research and Urban Studies in Genoa, Italy, which is owned by the Design & Building Foundation.

NOTE 14. TRANSACTIONS WITH STATE ENTITIES

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University’s base budget amount presented in the General Funds column of Sections 5D and 23 of Part IA of the 2003-04 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2004:

State Appropriations

	Educational and General	Public Service	Total
Original appropriation	\$ 85,060,281	\$ 38,874,739	\$ 123,935,020
Less 1% reduction	(868,068)	(388,747)	(1,256,815)
Proviso 73.2 - Statewide Funding for Budgetary Relief	—	1,000,000	1,000,000
Appropriation allocations from the State Commission on Higher Education:			
For Academic Endowment Match	84,845	—	84,845
For Clemson Agriculture Education Teachers - Teacher Recruitment	—	162,195	162,195
For Clemson Agriculture Education Teachers - Teacher Salary Supplements	—	57,169	57,169
Municipal Services	931,747	—	931,747
Films and Fibers	814,749	—	814,749
Wireless Center	500,000	—	500,000
Appropriation transfer to the Medical University of South Carolina (MUSC) for: Agromedicine	—	(208,461)	(208,461)
Total State Appropriation Revenues	\$ 86,523,554	\$ 39,496,895	\$ 126,020,449

NOTES TO FINANCIAL STATEMENTS

The University received substantial funding from the Commission on Higher Education (“CHE”) for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from CHE are accounted for as both operating and nonoperating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The University also receives State funds from various other State agencies for sponsored research and public service projects. Following is a summary of amounts received from State agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2004:

Other Amounts Received from State Agencies

	Operating Revenues	Nonoperating Revenues	Capital and Endowment Proceeds	Total
Received from the Commission on Higher Education (CHE):				
LIFE Scholarships	\$ 19,106,553	\$ —	\$ —	\$ 19,106,553
Palmetto Scholarships	7,747,100	—	—	7,747,100
Need-Based Grants	1,436,794	—	—	1,436,794
HOPE Scholarships	115,275	—	—	115,275
University Center	427,101	—	—	427,101
Access and Equity Competitive Grants	—	69,939	—	69,939
SC Experimental Programs to Stimulate Competitive Research	—	604,093	—	604,093
SC Manufacturing Extension Partnership	—	91,001	—	91,001
SC Alliance for Minority Participation Partnership Assistance	—	54,332	—	54,332
Partnership Assistance	—	(5,399)	—	(5,399)
Received from the Department of Education	850,846	—	—	850,846
Received from various other state agencies	1,767,511	1,000	—	1,768,511
State lottery funding for permanent endowments	—	—	7,000,000	7,000,000
Capital improvement bond revenues	—	—	1,856,794	1,856,794
Economic development bond revenues	—	—	686,378	686,378
	\$ 31,451,180	\$ 814,966	\$ 9,543,172	\$ 41,809,318

The University provided no significant services free of charge to any State agency during the fiscal year; however, the University did provide computer services and information systems development for a fee to other State agencies during the fiscal year. Total fees received were \$9,025,572, comprised of \$4,104,557 in fees for computer services classified as other operating revenues, and \$4,921,015 in information and systems development fees classified as sales and services of auxiliary enterprises.

Also, the University collected and remitted \$76,750 in fertilizer taxes, seed certification and pesticide registration fees to the State General Fund.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grants services from the Governor’s Office.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The University had financial transactions with various State agencies during the fiscal year. Significant payments

were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contributions, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2004 expenditures applicable to related transactions with state entities are not readily available.

NOTE 15. RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded this coverage in any of the past three years. The University pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

NOTES TO FINANCIAL STATEMENTS

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

- (1) Claims of State employees for unemployment compensation benefits (Employment Security Commission);
- (2) Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
- (3) Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
- (4) Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums are remitted to commercial carriers.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following University assets, activities, and/or events:

- (1) Theft of, damage to, or destruction of assets;
- (2) Real property, its contents, and other equipment;
- (3) Motor vehicles, aircraft, and watercraft (inland marine);
- (4) Torts;
- (5) Business interruptions;
- (6) Natural disasters; and
- (7) Medical malpractice claims against covered infirmaries and employees.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, the IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF purchases insurance for aircraft and ocean marine coverage. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The University obtains coverage through commercial insurers for employee fidelity bond insurance. All employees are covered for \$500,000 for Commercial Crime. This coverage includes the following:

- (1) Blanket employee dishonesty;
- (2) Forgery/alterations;
- (3) Theft, disappearance of money and security; and
- (4) Computer fraud

In addition, the Chief Business Officer is covered for \$200,000 under a public official bond, and the postmaster is covered under a performance bond for \$75,000. Both the Coordinator for Revenue and Receivables and Associate Comptroller-Related Organizations are covered by a \$2,000,000 bond. A \$2,000,000 bond also covers the Director of Finance and Administration for Advancement.

The University has recorded insurance premium expenditures and expenditures for deductibles in applicable functional expenditure categories.

The University has not transferred the portion of the risk of loss related to insurance policy deductibles, and policy limits for all coverage to a State or commercial insurer. The University has not reported an estimated claims loss expenditure, and the related liability at June 30, 2004, based on the requirements of GASB Statement No. 10 and No. 30, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2004, and the amount of the loss is reasonably estimable.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the University's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore no loss accrual has been recorded.

NOTE 16. CONTINGENCIES AND LITIGATION

The University is involved in a number of legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of the University. Therefore, an estimated liability has not been recorded.

The various federal programs administered by the University for fiscal year 2004 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

NOTES TO FINANCIAL STATEMENTS

NOTE 17. OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2004 are summarized as follows:

Operating Expenses by Function

	Compensation and Employee Benefits	Service and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 103,316,922	\$ 17,228,552	\$ 1,334,496	\$ 88,412	\$ —	\$ 121,968,382
Research	71,828,070	31,268,542	1,124,667	288,231	—	104,509,510
Public Service	34,821,661	15,450,581	1,208,939	14,553	—	51,495,734
Academic Support	23,472,439	4,615,604	396,376	—	—	28,484,419
Student Services	12,273,410	6,339,283	247,817	7,232	—	18,867,742
Institutional Support Operation and	15,257,076	3,354,297	232,094	—	—	18,843,467
Maintenance of Plant	15,631,405	17,352,971	3,226,581	—	—	36,210,957
Scholarships and Fellowships	4,477	58,526	—	9,563,156	—	9,626,159
Auxiliary Services	22,111,596	34,917,855	4,332,362	—	—	61,361,813
Depreciation	—	—	—	—	23,322,764	23,322,764
	<u>\$ 298,717,056</u>	<u>\$ 130,586,211</u>	<u>\$ 12,103,332</u>	<u>\$ 9,961,584</u>	<u>\$ 23,322,764</u>	<u>\$ 474,690,947</u>

NOTE 18. DONOR-RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

In accordance with the spending policy adopted by the Clemson University Board of Trustees in 1998, endowment-derived program expenditures are based on the endowment carrying value from the previous year at a percentage set by the Board. For fiscal year 2004, this rate was 4.75%. At June 30, 2004, net appreciation of \$1,151,294 is available to be spent, and is reported in the Statement of Net Assets as restricted for expendable scholarships and fellowships.

NOTE 19. DETAILS OF RESTRICTED ASSETS

The purposes and amounts of University Restricted Assets are as follows:

Details of Retricted Assets

Current:

Cash and cash equivalents:	
As specified by sponsors/donors	\$ 7,861,965
University administered loans	37,405
Payment of maturing debt	4,272,322
Bond proceeds and other amounts restricted for capital projects	35,407,909
Funds held for others	843,463
	<u>\$ 48,423,064</u>

Noncurrent:

Cash and cash equivalents:	
Endowments	\$ 19,833,314
Federal Perkins Loan Program	1,227,397
	<u>\$ 21,060,711</u>

Student Loans Receivable:

Federal Perkins Loan Program	<u>\$ 7,432,801</u>
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NOTES TO FINANCIAL STATEMENTS

**NOTE 20.
INFORMATION FOR INCLUSION
IN THE STATE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Clemson University's transactions are reported in the Higher Education Fund, an enterprise fund, of State of South Carolina. Following is information needed to present the University's business-type activities in the State's government-wide Statement of Activities.

Statement of Activities

	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 311,996,682	\$ 284,373,913	\$ 27,622,769
Operating grants and contributions	61,573,015	59,567,467	2,005,548
Capital grants and contributions	2,567,896	6,174,997	(3,607,101)
Less: expenses	(482,790,096)	(479,247,944)	(3,542,152)
Net program revenue (expense)	<u>(106,652,503)</u>	<u>(129,131,567)</u>	<u>22,479,064</u>
General revenues:			
Contributions to permanent endowments	7,004,519	20,529	6,983,990
Transfers:			
State appropriations	126,020,449	139,615,262	(13,594,813)
Capital improvement bond proceeds	2,543,172	10,569,871	(8,026,699)
Less: transfers out to state agencies/funds	(299,401)	(549,158)	249,757
Total general revenue and transfers	<u>135,268,739</u>	<u>149,656,504</u>	<u>(14,387,765)</u>
Change in net assets	28,616,236	20,524,937	8,091,299
Net assets - beginning	427,216,936	406,691,999	20,524,937
Net assets - ending	<u>\$ 455,833,172</u>	<u>\$ 427,216,936</u>	<u>\$ 28,616,236</u>

**NOTE 21.
COMPONENT UNITS**

Clemson University Foundation

The Clemson University Foundation (CUF) is a separately chartered corporation organized exclusively to promote the development and welfare of Clemson University in its educational and scientific purposes.

As discussed in Note 1, CUF has been included in the reporting entity as a component unit. Because CUF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

CUF transfers funds earmarked from private contributions to the University to support University scholarship, fellowship, professorship, and research programs and to reimburse the University for any purchases made by CUF. These transfers for fiscal year 2004 were recorded by the University as nonoperating gift revenues totaling \$8,190,328. CUF also reimbursed the University \$244,402 for salaries for time devoted by University employees to CUF, and transferred royalty payments totaling \$400,000.

Equipment donated by CUF to the University totaled \$72,926 and was recorded as capital grants and gifts in the Statement of Revenues, Expenses and Changes in Net Assets. Also recorded as capital grants and gifts upon receipt were CUF donations totaling \$727,496 for University building projects. As of June 30, 2004, CUF had remaining commitments

of approximately \$200,000 for University building projects.

As referenced in Note 3, a 1999 amendment to the South Carolina Code of Laws allowed state-supported universities to lend endowment balances on deposit with the State Treasurer to entities (like CUF) whose existence is primarily providing financial assistance and other support to the institution and its educational program. At fiscal year end, the amount loaned, including income and appreciation, totaled \$55,521,370.

CUF investment securities and donated negotiable assets are stated at fair value as determined by quoted market prices. Real estate investments are stated primarily at the current appraised value.

CUF investment income, net of external and internal management expenses and fees, and gains and losses arising from the sale or other disposition of investments and other noncash assets is distributed to the various endowments using a pooled income approach. This approach distributes income following the market value unit method, which is based on the number of units each fund owns in the managed investment pool.

CUF Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy, earnings, not to exceed a specified percentage, could be used to support the intended purposes. Any such earnings used to support the intended purposes are allocated only from those funds which have a market value in excess of historical value.

NOTES TO FINANCIAL STATEMENTS

A summary of investments at fair value at June 30, 2004 follows:

Investments

U.S. Government obligations	\$ 69,440,569
Corporate bonds	1,819,996
U.S. Equities	150,940,559
Global equities	14,466,738
Private equity	384,249
Hedge funds	17,000,000
Real estate	1,124,960
Other	450,971
	<u>\$ 255,628,042</u>

Clemson University Research Foundation

The Clemson University Research Foundation (CURF) is a separately chartered corporation established to solicit research grants and contracts, then contract the University to perform the research. CURF's activities are governed by its Board of Directors.

As discussed in Note 1, CURF has been included in the reporting entity as a component unit and is discretely presented in the financial statements.

The University performs research and development under performance agreements for CURF, and receives payment for all direct and indirect costs which are incurred in accordance with the terms of the performance agreements. Revenues totaling \$4,273,099 from CURF were recorded by the University in the Statement of Revenues, Expenditures and Changes in Net Assets as operating nongovernmental grants and contracts. Grants and contracts receivable in the Statement of Net Assets includes \$1,384,476 due from CURF at June 30, 2004.

Also, the University made \$101,784 in capital lease payments to CURF for lease of a building and land and \$167,605 in operating lease payments for office space. CURF reimbursed the University \$205,260 for salaries for time devoted by University employees to CURF.

*Supplementary Information
to the Financial Statements*

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
AUXILIARY REVENUE BONDS (SERIES 2000)

For the year ended June 30, 2004

	Dining Services	Vending Operations	Bookstore	Parking Services	Housing	Total
Revenues:						
Student Meal Plans	\$ 8,871,308	\$ —	\$ —	\$ —	\$ —	\$ 8,871,308
Food Service Commissions	1,224,658	—	—	—	—	1,224,658
Other	—	—	—	—	185,254	185,254
Residence Halls	—	—	—	—	19,639,973	19,639,973
Campus Vending Machines	—	500,351	—	—	—	500,351
ATM Rental	—	69,588	—	—	—	69,588
Contract Revenue	—	342,556	1,127,499	133,360	190,153	1,793,568
Parking Permits	—	—	—	1,234,865	—	1,234,865
Parking Citations	—	—	—	724,546	—	724,546
Investment Income	254,629	228,659	187,164	208,100	321,510	1,200,062
Total Revenues	10,350,595	1,141,154	1,314,663	2,300,871	20,336,890	35,444,173
Expenditures:						
Salaries	57,085	13,822	35,071	373,109	4,279,757	4,758,844
Fringe Benefits	28,575	3,447	8,448	100,192	1,086,042	1,226,704
Travel	5,081	—	1,596	374	60,670	67,721
Contractual Services	6,881,602	—	—	616,735	397,463	7,895,800
Repairs	231,386	1,216	1,988	40,584	608,653	883,827
Telecommunications	701	280	—	3,895	1,146,795	1,151,671
Heat, light, and power	417,816	—	7,692	381	1,442,970	1,868,859
Water, sewer and garbage	87,892	—	—	—	337,575	425,467
Rents	83,898	—	—	64,090	14,870	162,858
Supplies and materials	116,552	89	794	90,692	813,189	1,021,316
Insurance	3,720	—	—	501	106,708	110,929
University debit card fees	220,033	30,340	—	—	—	250,373
Cable television	—	—	—	—	539,999	539,999
Security	—	—	—	—	467,992	467,992
Other operating expenses	180,483	11,287	8,376	435,471	2,082,820	2,718,437
Capital outlay	—	—	—	—	28,714	28,714
Total Expenditures	8,314,824	60,481	63,965	1,726,024	13,414,217	23,579,511
NET REVENUES	\$ 2,035,771	\$ 1,080,673	\$ 1,250,698	\$ 574,847	\$ 6,922,673	\$ 11,864,662

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
ATHLETIC FACILITIES REVENUE BONDS (SERIES 2001 and 2003)

For the year ended June 30, 2004

	Football	Basketball	Other Sports	NonProgram Specific	Total
Revenues:					
Ticket Sales	\$ 10,472,810	\$ 1,117,046	\$ 206,935	\$ —	\$ 11,796,791
Bowl Revenues	991,940	—	—	—	991,940
Athletic Guarantees	1,052,558	327,305	19,519	—	1,399,382
Program Sales	235,304	6,000	19	—	241,323
Radio and TV Rights	—	—	—	275,500	275,500
Concessions	762,948	67,722	94,833	—	925,503
Conference Distribution	5,101,230	2,890,249	—	908,343	8,899,822
Executive Box Rental	1,277,018	—	—	—	1,277,018
Licensing	—	—	—	714,458	714,458
Donated Services	69,292	41,700	89,640	113,583	314,215
Corporate Sponsorship	—	—	—	1,292,253	1,292,253
Investment Income	—	—	—	1,078,411	1,078,411
Other	225,384	128,923	244,811	308,444	907,562
Total Revenues	20,188,484	4,578,945	655,757	4,690,992	30,114,178
Expenditures:					
Coaches Salaries	1,258,160	946,484	1,481,914	—	3,686,558
Other Salaries	612,555	239,580	66,991	3,323,271	4,242,397
Fringe Benefits	502,699	488,289	528,591	1,299,848	2,819,427
Financial Aid	1,484,353	483,990	1,984,681	1,259,818	5,212,842
Travel:					
Recruiting	345,067	241,052	192,846	—	778,965
Non-recruiting	740,935	552,135	942,074	129,307	2,364,451
Telephone	54,270	49,332	60,650	89,599	253,851
Utilities	—	—	—	557,670	557,670
Maintenance and General					
Administration	2,850,358	1,055,803	1,058,897	5,972,135	10,937,193
Athletic Guarantees	1,804,000	491,873	36,180	—	2,332,053
Insurance	352	—	5,556	152,706	158,614
Equipment and Improvements	32,809	22,785	15,635	491,928	563,157
Total Expenditures	9,685,558	4,571,323	6,374,015	13,276,282	33,907,178
Other Net Revenue					
Additions/(Deductions):					
Nonmandatory general fund transfer of student fees for student tickets	1,157,319	123,441	—	—	1,280,760
Transfer of gift funds designated for Athletic scholarships	1,484,353	483,990	1,984,681	1,259,818	5,212,842
Total Other Net Revenue					
Additions	2,641,672	607,431	1,984,681	1,259,818	6,493,602
NET REVENUES	\$ 13,144,598	\$ 615,053	\$ (3,733,577)	\$ (7,325,472)	\$ 2,700,602



Statistical Section

SCHEDULE OF REVENUES BY SOURCE

For the Year Ended June 30,
(amounts expressed in thousands)

	2004	2003	2002	2001
Revenues				
Operating Revenues:				
Student Tuition and Fees (net of scholarship allowances)	\$ 131,049	\$ 111,346	\$ 97,269	\$ 85,753
Federal Grants and Contracts	63,438	62,687	51,222	43,783
State Grants and Contracts	31,451	29,158	19,885	20,090
Local Grants and Contract	1,136	1,319	1,103	837
Nongovernmental Grants and Contracts	9,742	10,140	8,656	7,100
Sales and Services of Educational and Other Activities	11,596	9,675	9,481	7,757
Sales and Services of Auxiliary Enterprises (net of scholarship Allowances)	63,585	60,049	58,158	59,647
Other Operating Revenues	14,263	13,204	12,156	11,310
Total Operating Revenues	\$ 326,260	\$ 297,578	\$ 257,930	\$ 236,277
Non Operating Revenues:				
State Appropriations	\$ 126,020	\$ 139,615	\$ 155,453	\$ 165,918
Federal Appropriations	10,339	11,492	9,772	16,260
Gifts	24,295	23,232	26,892	30,318
Interest Income	4,916	7,587	7,405	8,048
Endowment Income	6,769	2,563	(1,788)	(439)
Other Non Operating Revenues	991	1,490	1,423	519
Total Non Operating Revenues	173,330	185,979	199,157	220,624
Total Revenues	\$ 499,590	\$ 483,557	\$ 457,087	\$ 456,901

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for Fiscal years 2001-2004 is available.

Source: Clemson University Financial Statements.

For the Year Ended June 30,
(percent of total revenue)

	2004	2003	2002	2001
Revenues				
Operating Revenues:				
Student Tuition and Fees (net of scholarship allowances)	26.2%	23.0%	21.3%	18.8%
Federal Grants and Contracts	12.7%	13.0%	11.2%	9.6%
State Grants and Contracts	6.3%	6.0%	4.3%	4.4%
Local Grants and Contract	0.2%	0.3%	0.2%	0.2%
Nongovernmental Grants and Contracts	1.9%	2.1%	1.9%	1.6%
Sales and Services of Educational and Other Activities	2.3%	2.0%	2.1%	1.7%
Sales and Services of Auxiliary Enterprises (net of scholarship Allowances)	12.7%	12.4%	12.7%	12.9%
Other Operating Revenues	2.9%	2.7%	2.7%	2.5%
Total Operating Revenues	65.2%	61.5%	56.4%	51.7%
Non Operating Revenues:				
State Appropriations	25.2%	28.9%	34.0%	36.3%
Federal Appropriations	2.1%	2.4%	2.1%	3.6%
Gifts	4.9%	4.8%	5.9%	6.6%
Interest Income	1.0%	1.6%	1.6%	1.8%
Endowment Income	1.4%	0.5%	(0.4%)	(0.1%)
Other Non Operating Revenues	0.2%	0.3%	0.4%	0.1%
Total Non Operating Revenues	34.8%	38.5%	43.6%	48.3%
Total Revenues	100.0%	100.0%	100.0%	100.0%

SCHEDULE OF EXPENSES BY USE AND FUNCTION

For the Year Ended June 30,
(amounts expressed in thousands)

	2004	2003	2002	2001
Expenses				
Operating Expenses:				
Compensation and Employee Benefits	\$ 298,717	\$ 304,259	\$ 292,247	\$ 271,332
Services and Supplies	130,586	124,100	108,322	113,665
Utilities	12,103	11,542	12,006	11,198
Depreciation	23,323	22,359	19,158	18,694
Scholarships and Fellowships	9,962	10,238	9,090	9,268
Total Operating Expenses	\$ 474,691	\$ 472,498	\$ 440,823	\$ 424,157
Non Operating Expenses:				
Interest on Capital Asset Related Debt	\$ 6,794	\$ 5,321	\$ 4,300	\$ 3,979
Gain/Loss on Disposal of Capital Assets	1,205	1,094	(12,621)	1,226
Refunds to Grantors	100	335	289	340
Total Non Operating Expenses	8,099	6,750	(8,032)	5,545
Total Expenses	\$ 482,790	\$ 479,248	\$ 432,791	\$ 429,702

For the Year Ended June 30,
(percent of total expenses)

	2004	2003	2002	2001
Expenses				
Operating Expenses:				
Compensation and Employee Benefits	61.9%	63.5%	67.5%	63.1%
Services and Supplies	27.1%	25.9%	25.0%	26.4%
Utilities	2.5%	2.4%	2.8%	2.6%
Depreciation	4.8%	4.7%	4.4%	4.4%
Scholarships and Fellowships	2.1%	2.1%	2.1%	2.2%
Total Operating Expenses	98.4%	98.6%	101.8%	98.7%
Non Operating Expenses:				
Interest on Capital Asset Related Debt	1.4%	1.1%	1.0%	0.9%
Gain/Loss on Disposal of Capital Assets	0.2%	0.2%	(2.9%)	0.3%
Refunds to Grantors	0.0%	0.1%	0.1%	0.1%
Total Non Operating Expenses	1.6%	1.4%	(1.8%)	1.3%
Total Expenses	100.0%	100.0%	100.0%	100.0%

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for Fiscal years 2001-2004 is available.

Source: Clemson University Financial Statements.

For the Year Ended June 30,
(amounts expressed in thousands)

	2004	2003	2002	2001
Expenses:				
Instruction	\$ 121,968	\$ 119,546	\$ 114,357	\$ 107,677
Research	104,510	101,788	93,953	87,659
Public Services	51,496	57,502	56,508	56,571
Academic Support	28,484	31,367	28,811	22,749
Student Services	18,868	17,842	17,614	15,757
Institutional Support	18,843	18,074	17,287	17,983
Operation and Maintenance of Plant	36,211	35,880	28,167	28,529
Scholarships and Fellowships	9,626	9,871	8,682	8,894
Auxiliary Enterprises	61,362	58,269	56,286	59,644
Interest on Capital Debt	6,794	5,321	4,300	3,979
Depreciation	23,323	22,359	19,158	18,694
Gain/Loss on Disposal of Capital Assets	1,205	1,094	(12,621)	1,226
Refunds to Grantors	100	335	289	340
Total Expenses	\$ 482,790	\$ 479,248	\$432,791	\$ 429,702

For the Year Ended June 30,
(percent of total expenses)

	2004	2003	2002	2001
Expenses:				
Instruction	25.3%	24.9%	26.4%	25.1%
Research	21.6%	21.2%	21.7%	20.4%
Public Services	11.0%	12.0%	13.0%	13.2%
Academic Support	5.9%	6.5%	6.7%	5.3%
Student Services	3.8%	3.7%	4.1%	3.7%
Institutional Support	3.8%	3.8%	4.0%	4.2%
Operation and Maintenance of Plant	7.5%	7.5%	6.5%	6.6%
Scholarships and Fellowships	2.0%	2.1%	2.0%	2.1%
Auxiliary Enterprises	12.7%	12.2%	13.0%	13.8%
Interest on Capital Debt	1.4%	1.1%	1.0%	0.9%
Depreciation	4.8%	4.7%	4.4%	4.3%
Gain/Loss on Disposal of Capital Assets	0.2%	0.2%	(2.9%)	0.3%
Refunds to Grantors	0.0%	0.1%	0.1%	0.1%
Total Expenses	100.0%	100.0%	100.0%	100.0%

UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

At Doctoral-Level Public Institutions

Last ten years

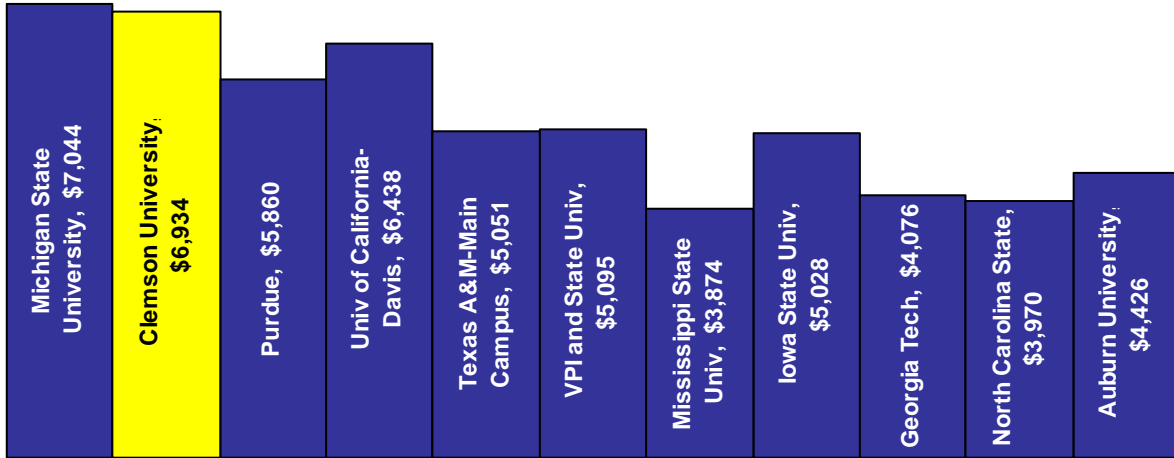
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Institution - Resident										
Michigan State University	\$7,044	\$5,022	\$4,632	\$4,256	\$4,120	\$4,032	\$3,944	\$3,834	\$3,725	\$4,409
Clemson University	6,934	5,834	4,490	3,590	3,470	3,344	3,252	3,112	3,112	3,036
Purdue	5,860	5,580	4,164	3,872	3,724	3,564	3,352	3,208	3,056	2,884
Univ of California-Davis	6,438	4,630	4,595	4,072	4,034	4,153	4,332	4,262	4,174	4,099
Texas A & M	5,051	3,949	3,127	2,809	2,640	2,419	2,337	1,977	2,011	1,653
VPI and State University	5,095	3,936	3,664	3,640	3,620	4,305	4,147	4,131	4,087	3,951
Mississippi State Univ	3,874	3,874	3,586	3,117	3,017	3,017	2,731	2,631	2,591	2,561
Iowa State Univ	5,028	4,110	3,442	3,132	3,004	2,874	2,766	2,666	2,574	2,471
Georgia Tech	4,076	3,616	3,454	3,308	3,108	2,991	2,901	2,685	2,457	2,343
North Carolina State	3,970	3,827	3,302	2,814	2,414	2,364	2,200	2,200	1,732	1,584
Auburn University	4,426	3,784	3,260	3,050	2,895	2,760	2,565	2,355	2,250	2,100

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Institution - Non Resident										
Michigan State University	\$16,948	\$12,276	\$11,310	\$10,388	\$10,042	\$9,806	\$9,596	\$9,486	\$9,209	\$10,994
Clemson University	14,532	12,932	11,284	9,784	9,456	9,100	8,676	8,316	8,316	8,116
Purdue	17,640	16,260	13,872	12,904	12,348	11,784	11,184	10,636	10,128	9,556
Univ of California-Davis	20,648	17,009	15,669	14,686	14,208	13,727	13,316	12,656	11,873	11,798
Texas A & M	12,131	9,181	8,191	7,969	7,824	7,531	7,473	7,113	6,619	5,943
VPI and State University	15,029	13,552	12,488	12,128	11,844	11,521	11,111	10,783	10,739	10,404
Mississippi State Univ	8,780	8,780	8,125	7,065	6,119	6,119	5,551	5,451	5,411	5,021
Iowa State Univ	14,370	12,802	10,776	9,974	9,564	9,152	8,808	8,480	8,192	7,731
Georgia Tech	16,002	13,986	12,350	10,826	10,350	9,921	9,621	8,946	7,638	6,933
North Carolina State	15,818	15,111	13,294	11,980	11,580	11,530	10,732	10,732	9,848	9,110
Auburn University	12,886	11,084	9,780	9,150	8,685	8,280	7,695	7,065	6,750	6,300

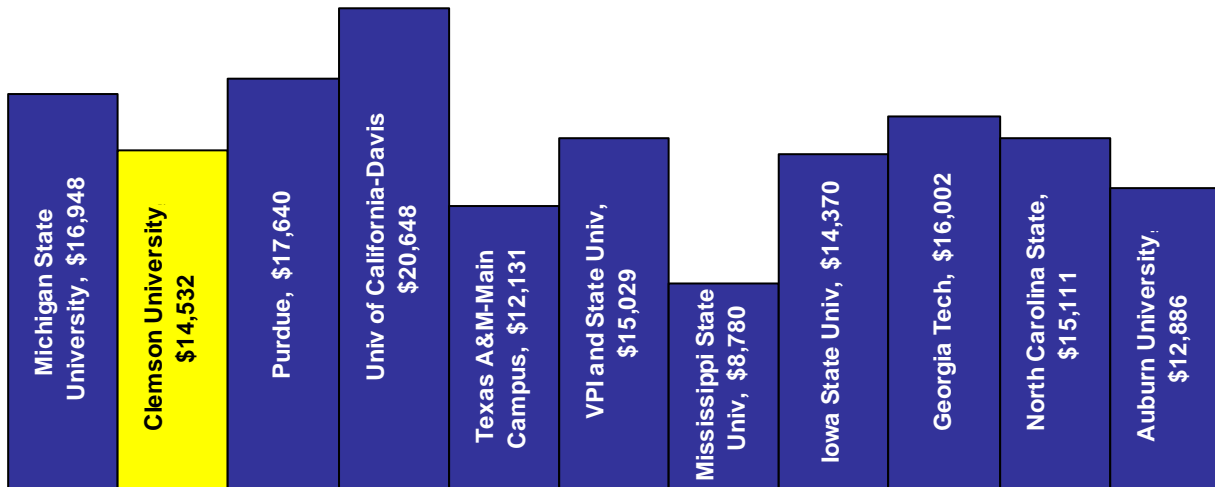
Source: University of Wyoming - telephone surveys, mail surveys, and web sites.

* These figures are for undergraduate first-time, full-time students with an academic year of 24 semester hours or 36 quarter hours

Undergraduate Tuition and Fees - Resident - 2004



Undergraduate Tuition and Fees - Non Resident - 2004



SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years
(amounts in thousands)

State Institution Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2004	\$6,881	\$6,881	\$4,005	\$1,921	\$5,926	1.16
2003	6,876	6,876	1,615	1,530	3,145	2.19
2002	4,843	4,843	985	555	1,540	3.14
2001	4,325	4,325	930	608	1,538	2.81
2000	3,568	3,568	875	658	1,533	2.33
1999	2,983	2,983	835	704	1,539	1.94
1998	2,880	2,880	790	747	1,537	1.87
1997	2,826	2,826	365	353	718	3.94
1996	2,789	2,789	1,095	422	1,517	1.84
1995	2,797	2,797	920	278	1,198	2.33

Plant Improvement Bonds

Fiscal Year Ended June 30,	Special Student Fee	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2004	\$ 1,003	\$ 1,003	\$ 615	\$ 242	\$ 857	1.17
2003	1,002	1,002	590	266	856	1.17
2002	1,177	1,177	570	292	862	1.37
2001	1,204	1,204	515	324	839	1.43
2000	1,114	1,114	485	354	839	1.33
1999	1,160	1,160	390	428	818	1.42
1998	1,134	1,134	370	327	697	1.63
1997	1,108	1,108	345	571	916	1.21
1996	1,099	1,099	330	591	921	1.19
1995	1,062	1,062	310	609	919	1.16

Source: Clemson University Office of Fiscal Affairs.

Athletic Facilities Revenue Bonds

Fiscal Year Ended June 30,	Net Athletic Revenues	Admissions Fee	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
2004	\$ 1,930	\$ 1,796	\$ 3,726	\$ 1,040	\$ 1,105	\$ 2,145	1.74
2003	2,850	1,449	4,299	985	871	1,856	2.32
2002	2,527	833	3,360	1,025	823	1,848	1.82
2001	1,088	771	1,859	0	0	0	1.00

Revenue Bonds

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2004	\$ 11,865	\$ 11,865	\$ 2,555	\$ 3,048	\$ 5,603	2.12
2003	12,141	12,141	2,435	2,157	4,592	2.64
2002	10,760	10,760	2,445	2,290	4,735	2.27
2001	9,116	9,116	2,340	2,398	4,738	1.92
2000	8,437	8,437	2,340	1,235	3,575	2.36
1999	6,848	6,848	2,325	1,339	3,664	1.87
1998	7,392	7,392	1,395	467	1,862	3.97

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

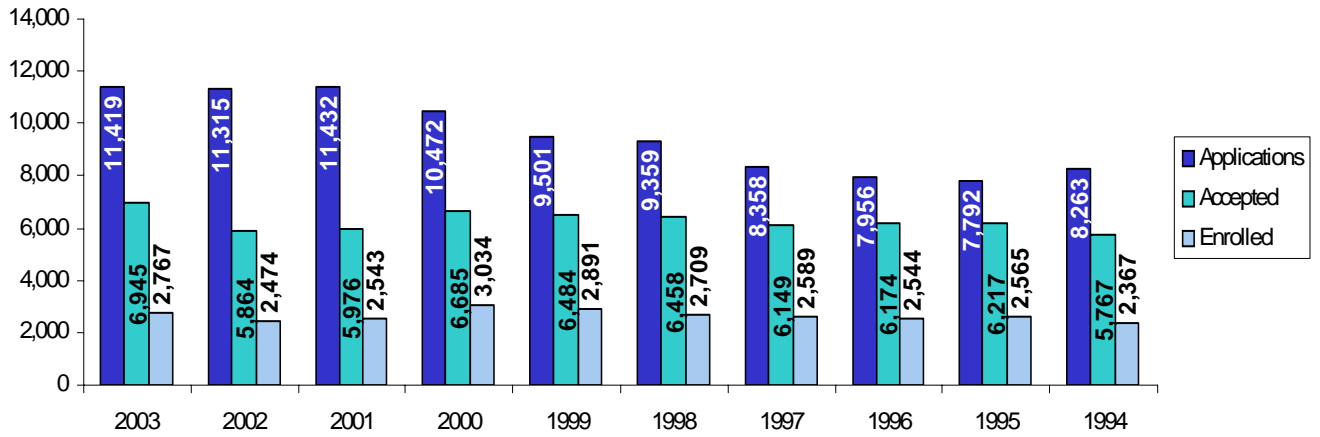
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Admissions-Freshman										
Accepted as a Percentage of Applications	60.8%	42.2%	52.3%	63.8%	68.2%	69.0%	73.6%	77.6%	79.8%	69.8%
Enrolled as a Percentage of Accepted	39.8%	51.8%	42.6%	45.4%	44.6%	41.9%	42.1%	41.2%	41.3%	41.0%
SAT Scores-Total	1,204	1,205	1,191	1,172	1,158	1,145	1,140	1,128	1,042	1,048
Verbal	587	587	584	575	569	564	577	557	483	485
Math	617	618	607	597	589	581	563	571	559	563
South Carolina Average SAT Score-Total	989	981	974	966	954	951	955	954	844	838

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Enrollment										
Undergraduate and Graduate FTE	15,780	15,620	15,800	16,053	15,685	15,258	15,087	14,978	14,847	15,148
Undergraduate and Graduate Headcount	17,016	16,876	17,101	17,465	16,982	16,685	16,396	16,526	16,318	16,290
Percentage of Men	54.8%	54.6%	54.6%	53.8%	54.1%	53.1%	53.0%	53.6%	53.8%	54.5%
Percentage of Women	45.2%	45.4%	45.4%	46.2%	45.9%	46.8%	47.0%	46.4%	46.2%	45.5%
Percentage of Black	7.1%	7.1%	7.4%	7.1%	7.3%	6.9%	7.5%	7.6%	7.7%	8.0%
Percentage of White	85.0%	85.0%	85.0%	85.8%	85.5%	86.2%	86.0%	85.9%	86.1%	85.3%
Percentage of Other	7.9%	7.9%	7.6%	7.1%	7.2%	6.7%	6.5%	6.5%	6.3%	6.7%

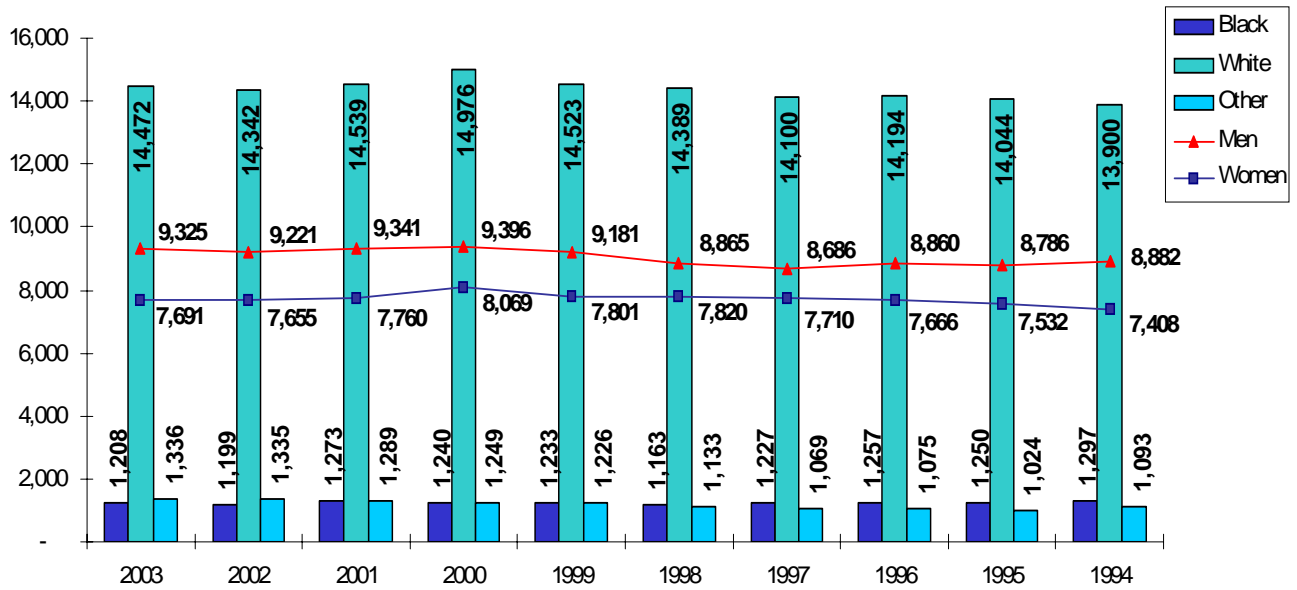
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Degrees Earned										
Bachelor's	3,073	2,973	2,823	2,725	2,565	2,531	2,463	2,530	2,513	2,466
Master's	805	808	764	887	795	896	910	926	989	1,082
Doctoral	120	121	121	100	114	116	110	90	125	96

Source: Clemson University Office of Institutional Research

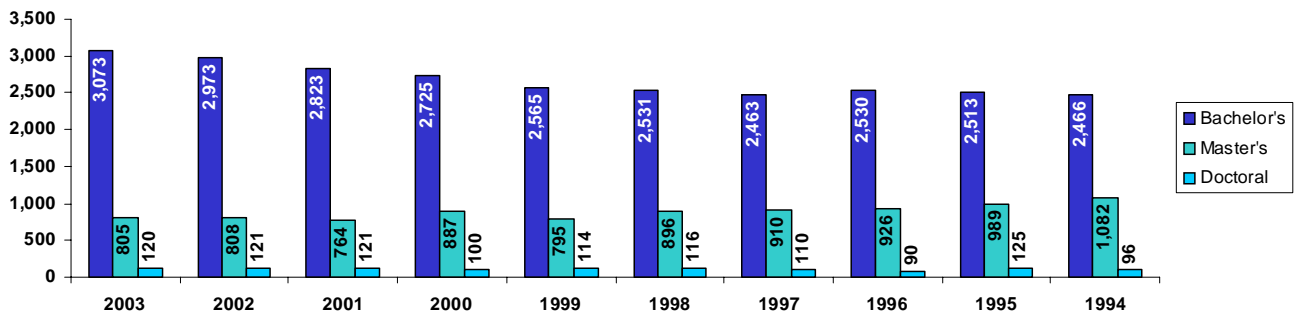
Freshman Applied, Accepted and Enrolled



Headcount Total

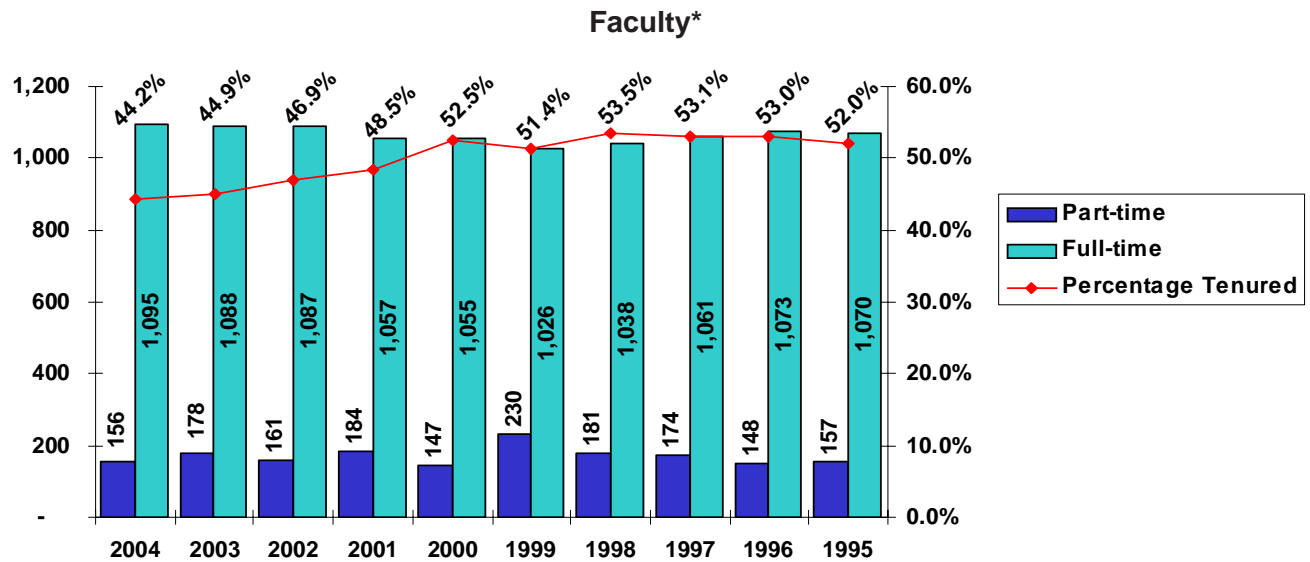


Degrees Earned



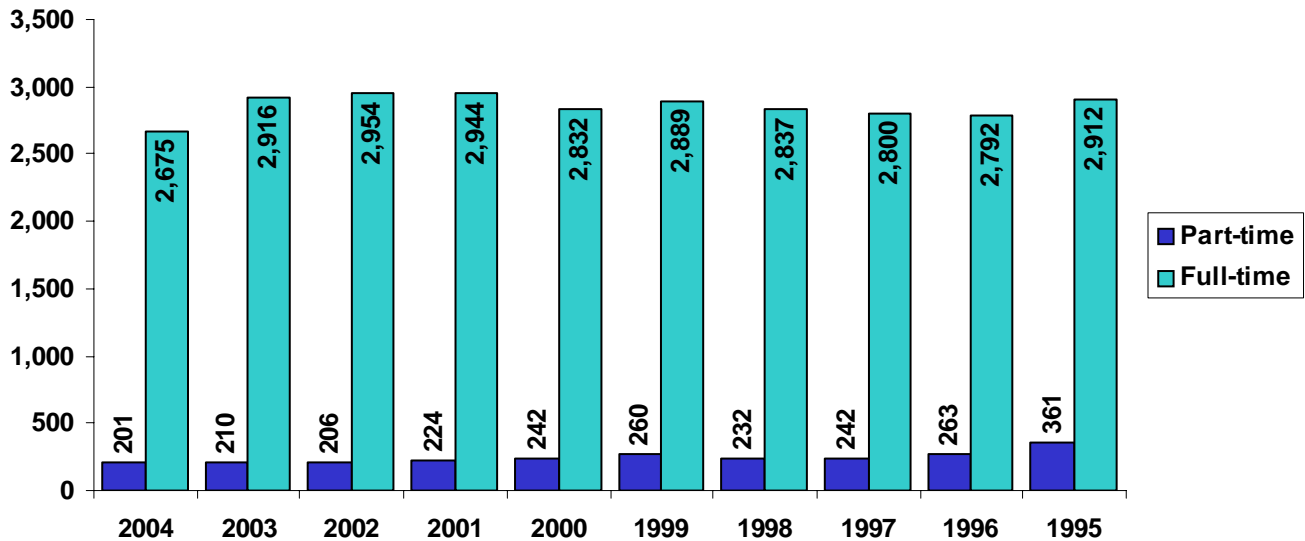
FACULTY, STAFF AND ADMINISTRATORS STATISTICS

Last Ten Fiscal Years



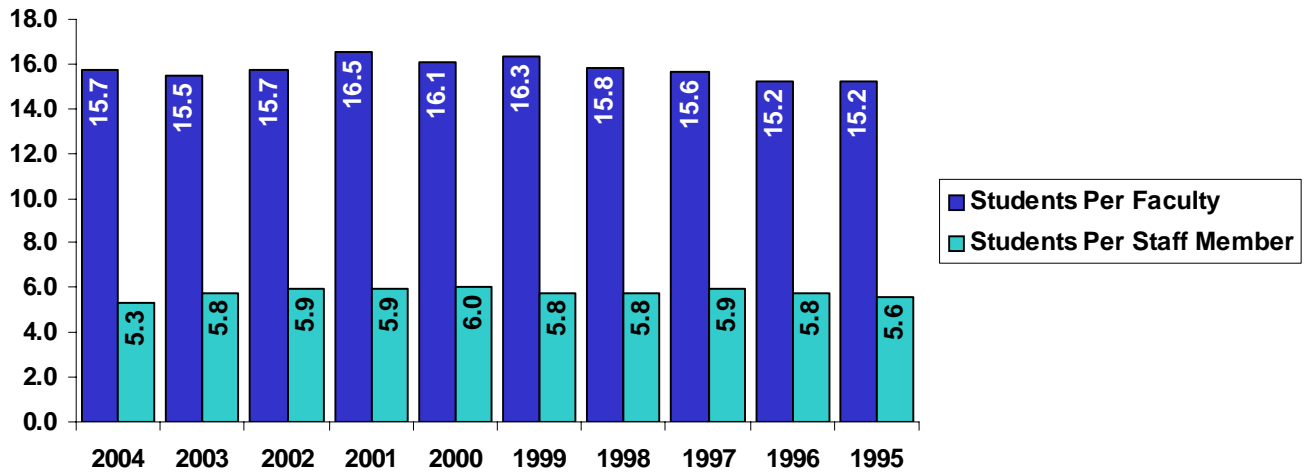
*IPEDS definition of Instructional Faculty.

Full-Time and Part-Time Staff

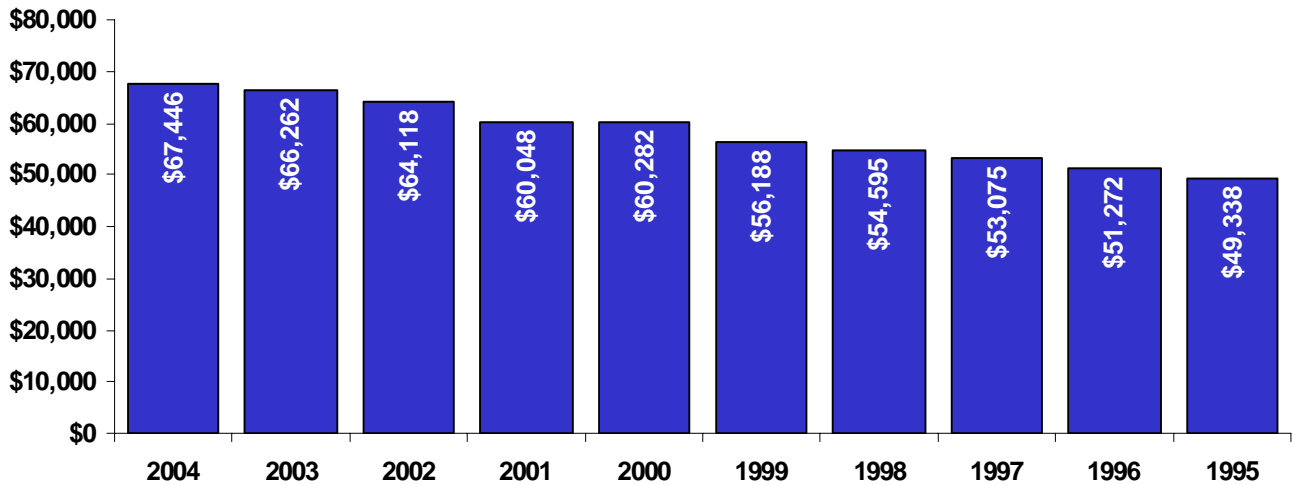


Source: Clemson University Office of Institutional Research.

Students Per Faculty/Staff



Average Annual Faculty Salary



This Comprehensive Annual Financial Report is also available
on the Clemson University Comptroller Office website located at
<http://www.comptroller.clemson.edu/>

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