

CLEMSON

U N I V E R S I T Y

CLEMSON, SOUTH CAROLINA



Comprehensive Annual Financial Report

For the Year Ended June 30, 2008

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



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Prepared by the Comptrollers Office

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Introductory Section
(unaudited)



President's Letter 2008

Dear Friends of Clemson:

The 2007-08 academic year was one in which Clemson University took stock of our progress to date, and began planning in earnest for the next decade.

Because of a large number of faculty retirements, about one-third of our faculty members have been hired in the last three years. We have 331 new faculty members, only 45 in new positions. Many of these new scholars are in the eight emphasis areas we established in 2001.

Clemson also continues to attract stronger and stronger students. For the first time, more than half of our freshmen class ranked in the top 10 percent of their high school graduating classes.

These new, energetic students and faculty continually challenge us to maintain our momentum as one of the nation's top "up and coming" institutions.

Here are some reasons why. On the National Survey of Student Engagement (NSSE), more than 90 percent of freshmen and seniors rated their Clemson educational experience as good or excellent, and they would choose Clemson again if given the chance. Our students are challenged academically and engaged with the larger community. They brought home two very meaningful national championships last year by winning the Intercollegiate Ethics Bowl as well as Habitat for Humanity National Student Chapter of the Year honors. Clemson students have built more Habitat homes than any other student chapter in the nation.

A senior faculty member won the Governor's Award for Excellence in Scientific Research, and five young faculty members have received CAREER awards from the National Science Foundation. This is NSF's most prestigious award to support early career-development activities of teacher-scholars who most effectively integrate research and education within the mission of their institutions.

These achievements go to the heart of Clemson University's mission — to be a focused, *student-centered research university* which combines the best of two models: the scientific and technological horsepower of a major research university and the highly engaged academic and social environment of a small college.

Despite increased funding pressure on the horizon, Clemson is resolved to maintain our momentum, to protect the quality gains we have made, and to emerge a stronger, more focused and more efficient university in the year ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "James F. Barker". The signature is stylized and includes a long horizontal line extending to the right.

James F. Barker, FAIA
President





University Goals

• **Academics, research and service**

- Excel in teaching, at both the undergraduate and graduate levels.
- Increase research and sponsored programs to exceed \$150 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

UNIVERSITY

LETTER OF TRANSMITTAL

September 26, 2008

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, 2008. The report provides financial information about the University's operations during the year and describes its financial position at the end of the year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that was established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

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, 2008, the State Auditor contracted with the independent certified public accounting firm of Elliott Davis, LLC, to perform the University's annual audit. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The independent auditor's report is located at the front of the financial section.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the University

Clemson University was founded in 1889, a legacy of Thomas Green Clemson, who willed his Fort Hill plantation home, its surrounding farmlands and forest, and other property to the state of South Carolina to establish a technical and

scientific institution for South Carolina. Clemson opened its doors to 446 students as a military college in 1893.

Today, Clemson is classified by the Carnegie Foundation as a Doctoral/Research University-Extensive, a category comprising less than 4 percent of all universities in America. Students can choose from more than 70 undergraduate and 100 graduate degree programs in five colleges. As the state's land-grant university, Clemson reaches out to citizens, communities, and businesses all over South Carolina through county-based Cooperative Extension offices, five off-campus Research and Education Centers, and critical regulatory responsibilities for plant and animal health.

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.

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.

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



FINANCIAL AFFAIRS

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be reported as component units based on the nature and significance of their relationship with a related entity. Based on these criteria, the University determined that the Clemson University Foundation and the Clemson University Research Foundation are indeed component units of the University. Consequently, the financial statements include the accounts of these two entities as discretely presented component units.

Local Economy

South Carolina's economy has been impacted over the past year by rising gas prices and struggling housing and financial markets.

The state's unemployment rate was 6.2% in June 2008, higher than same period last year of 5.7% and higher than the national average of 5.5% for the same period. South Carolina's unemployment rate was the 12th highest among all states in June.

The state did realize a slight increase in Nonfarm Wage and Salary Employment. Leisure and Hospitality, Educational and Health Services, Professional and Business Services, and Government sectors did realize positive growth over the past twelve month period. Total job count, at 1,970,900 was up 4,500 over the same period last year.

The housing slump that began in 2006 continued through 2007 and into 2008. Construction jobs were down almost 11% in June 2008 compared to June 2007. Single family building permits declined 24% during 2007. According to the South Carolina Economic Outlook report published by the University of South Carolina Moore School of Business, construction is not expected to rebound until mid 2009.

Crude oil prices continued to rise, exceeding \$100 per barrel in June 2008 compared to approximately \$70 per barrel in June 2007. Gasoline prices in South Carolina increased over \$1 per gallon over a one year period. Prices reached \$3.85 per gallon in June 2008 compared to \$2.79 per gallon in June 2007. Diesel prices were up approximately \$1.80 per gallon from last year's level. Heating oil prices also increased approximately \$1.80 per gallon from last year's level.

According to the South Carolina Economic Outlook report published by the University of South Carolina Moore School of Business, "the main challenge for the South Carolina economy remains creating jobs at a rate large enough to compensate for the losses in the construction and manufacturing sector and thus prevent the unemployment rate from surging again."

Long-term Financial Planning

The Academic Road Map is the University's plan for academic excellence that calls for investments in three key areas: people and programs, infrastructure, and facilities. This plan is designed to identify academic areas that have the potential to become top-10 programs; core research initiatives that can generate substantial external funding; "niche" areas within departments that can allow for focused growth or development; and collaborative activities that increase public service, improve general education or fulfill other goals.

In its first six years the Academic Road Map advanced the

University's goal of being a student-centered research institution, and earned considerable recognition as of late. A recent front page feature in *The Chronicle of Higher Education* contained the headline "Clemson University Balances Growth with Focus", explaining Clemson's concentration on the things it does best. As President Barker indicated in the article, "We have made a strategic decision not to grow for the sake of growing".

The most recent rankings of the *US News & World Report* recognized the University as the 22nd best national public university in the country, up from 27th best the previous year. According to the magazine, Clemson is No. 2 among national public universities in the "up and coming" category as a "college that has recently made striking improvements or innovations – a school everyone should be watching". Among these improvements were: an increase in the graduation rate from 75 percent to 78 percent; an increase in the freshman retention rate from 88 percent to 90 percent; an increase in alumni giving; more classes with fewer than 20 students; and more freshmen in the top 10 percent of their high school graduating class.

The Academic Road Map has resulted in the hiring of 331 new faculty members, only 45 in new positions. One-third of the University's faculty is new in the last three years. The curriculum has been completely re-written and academic support has been improved.

However, the University has recently announced plans to expand the Academic Road Map to a more comprehensive University-wide Plan. This University-wide Plan will have three primary goals:

1. Continue to invest in the emphasis areas in which the University can truly excel
2. Align support areas to support the curriculum and research
3. Re-invent the living/learning environment

Despite recent budget cuts that will result in \$10 million less in state funding this fiscal year, the University will continue to respond to budget pressures by taking a strategic approach rather than making arbitrary across-the-board cuts. It will make every effort to continue to invest in emphasis areas.

Several actions have been taken to align support areas with the curriculum and research. An internal treasury function was implemented and provided needed resources for a new crisis and emergency services system and a capital campaign. Motor Pool and Printing functions were privatized to free resources for other mission-oriented purposes. A new web-based eProcurement system was implemented to simplify campus purchases. In addition, new business intelligence software was acquired to enrich data mining and analysis efforts.

Re-inventing the living/learning environment will be the one of the top priorities of the next phase of the University-wide plan. Students and faculty have indicated that many of the University's basic academic facilities are out of date. Plans announced last year to invest \$225 million over the next few years in new campus facilities and IT infrastructure have been

placed in action thanks to a combination of private gifts, internal reallocations and an increase in institutional bonding capacity. All new buildings will meet very high standards for “green building” and energy efficiency.

Major Initiatives

In 2007-2008, Clemson University reviewed the progress made since 2002 on its academic plan (the Road Map) and began work on a comprehensive university-wide plan for the next five years. While rising in the *US News* rankings to 22nd among national public universities, Clemson has built the foundation to reach its goal of being a top-20 public university. The university has established eight emphasis areas based on existing, strategic strengths; redirected resources, both financial and human, toward those areas; completely revamped the undergraduate curriculum to shorten time to completion and increase graduation rates; and aligned tenure and promotion policies with these emphasis areas and the new curriculum.

Clemson continues its transformation into a unique student-centered research university, where teaching and research are fully integrated and each student has an opportunity for embedded “learning by doing” experiences. Intellectual development is emphasized along with research and economic development. Through Creative Inquiry projects, even undergraduate students are researchers. Faculty members are not only teachers, but guides and mentors.

The University once again had a record number of freshman applicants, at more than 15,500 for about 3,000 spots in the freshman class. Two students won prestigious national Goldwater Scholarships. Clemson students also achieved a number of “national championships,” including the Habitat for Humanity National Chapter of the Year award. Clemson students have built more Habitat houses than any other student chapter in the nation. The Clemson student team also won the National Intercollegiate Ethics Bowl championship.

A significant upgrade in cyber-infrastructure, high-performance computing capability and data storage capacity led to Clemson’s “Palmetto Cluster” being ranked 62nd on a list of the top 500 global supercomputing sites compiled by the International Supercomputing Conference in Dresden, Germany. These enhancements support teaching, administration, research and statewide, collaborative work among South Carolina’s research universities.

Clemson announced \$79.5 million in private gifts for 2007-08, including \$58.5 million given to the Clemson University Foundation to support academics and \$21 million to IPTAY. The percentage of alumni giving increased from 27 to 28.5 percent, making Clemson one of the top five public universities in the nation in alumni support.

Significant private gifts included:

- \$1 million gift from Milton and Betty Holcombe of Dallas for the Milton W. Holcombe Electrical and Computer Engineering Department;
- \$1.5 million from Carolina First, given through The South Financial Group Foundation, for a gallery at the Clemson University International Center for

Automotive Research;

- \$1 million from AdvanceSC and \$1 million from Duke Energy for a new Innovation Center at the Advanced Materials Center in Anderson County. This facility will provide incubator space for startup companies emerging from Clemson research in advanced materials and photonics.
- \$1 million from Doris Buffett and the Sunshine Lady Foundation to endow Camp Sunshine at the Clemson Outdoor Lab;
- a building and land valued at \$1.6 million from Michael Cheezem and family that will house the Osher Lifelong Learning Institute (OLLI);
- \$1 million from the Osher Endowment to support OLLI; and
- \$1.25 million from Sam and Patricia Deal of Holden Beach, N.C., to support research on alternative energy.

Other research milestones included a \$1.9M research contract from Michelin Inc. to a CU-ICAR team for a project aimed at reducing auto tire-rolling resistance, which will improve fuel economy. New partners for the Clemson University International Center for Automotive Research (CU-ICAR) were announced, including Mazda, the first Japanese original equipment manufacturer on the automotive research team, and three European software companies seeking a presence in North America. Four Clemson faculty members won NSF Career Awards to recognize and support their promising research.

Clemson President Jim Barker gave a major keynote address on CU-ICAR in Washington, DC, at a symposium on Global Best Practices in Research Science and Technology Parks. The meeting was organized by the US National Academy of Sciences in cooperation with the Association of University Research Parks.

The South Carolina Centers of Economic Excellence Board approved three new chairs for Clemson:

- \$5 million to optoelectronics and in conjunction with the Medical University of South Carolina:
 - \$5 million to cancer stem cell biology and therapy
 - \$5 million to advanced tissue biofabrication

Other highlights of the year at Clemson included:

- The U.S. Environmental Protection Agency (EPA), in conjunction with S.C. Department of Health and Environmental Control, designated Clemson as a Center of Excellence for watershed management in South Carolina. This is only the third such center to be designated in the Southeast.
- Enhancements were made to campus safety and security measures in the wake of the Virginia Tech tragedy. Six new police officers were added, along with enhanced E-911 capability, emergency text-messaging capability and voice-enabled sirens.
- Construction began on the Harris A. Smith building to house the Sonoco Institute of Packaging Design and Graphics, and on an expansion of Rhodes Hall, which houses biomaterials and bioengineering programs.

Ground was broken for the Class of 1956 Academic Success Center, which provides study skill training, mentoring, supplemental instruction and other services to help students succeed and graduate. A major project to upgrade systems in the R.M. Cooper Library was also undertaken.

- The Cliffs Communities and the S.C. Department of Education announced a gift of \$10 million plus 355 acres of real estate to establish the S.C. Teacher Renewal Center. It will be coordinated by the Youth Learning Institute, a public service program of Clemson University.
- The National Symphony Orchestra visited Clemson as part of its 2008 American Residency in South Carolina. Other distinguished visitors included Presidential Primary contestants John McCain, Barack Obama, John Edwards, Mike Huckabee and Ron Paul. Candidate appearances were a joint effort by the Strom Thurmond Institute of Government and Public Affairs and the political science department.
- The Kickoff event for Focus the Nation, the largest “teach-in” in U.S. history and an effort to focus on solutions to global warming, was held at Clemson in January 2008.
- Athletic Director Terry Don Phillips was recognized as one of America’s 100 Most influential Sports Educators, and The Institute for International Sport named Clemson an All-American Sportsmanship School for 2007-2008 in recognition of its strong commitment to a culture of sportsmanship.
- Clemson became a university partner of the Peace Corps International master’s degree program, designed for Americans who want to earn a graduate degree while serving as a Peace Corps volunteer.
- Undergraduate and graduate business students began using the newly renovated Clemson Trading Room to access financial data from Bloomberg and Reuters in their portfolio management classes.
- “Expeditions with Patrick McMillan,” a Clemson PSA production, won a top award for excellence from the International Academy of Visual Arts.
- Clemson was named to the President’s Higher Education Community Service Honor Roll for Distinction for exemplary community service.
- *Business Week* magazine ranked Clemson 22 among public institutions on its list of America’s Top Undergraduate Business Schools and ARCHITECT magazine reported that Clemson’s graduate program in architecture ranked 10th on a Design Intelligence survey of practicing architects and design firms.

Awards and Acknowledgements

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, 2007. 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.

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,



Brett A. Dalton
Chief Financial 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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CLEMSON UNIVERSITY BOARD OF TRUSTEES

(as of June 30, 2008)

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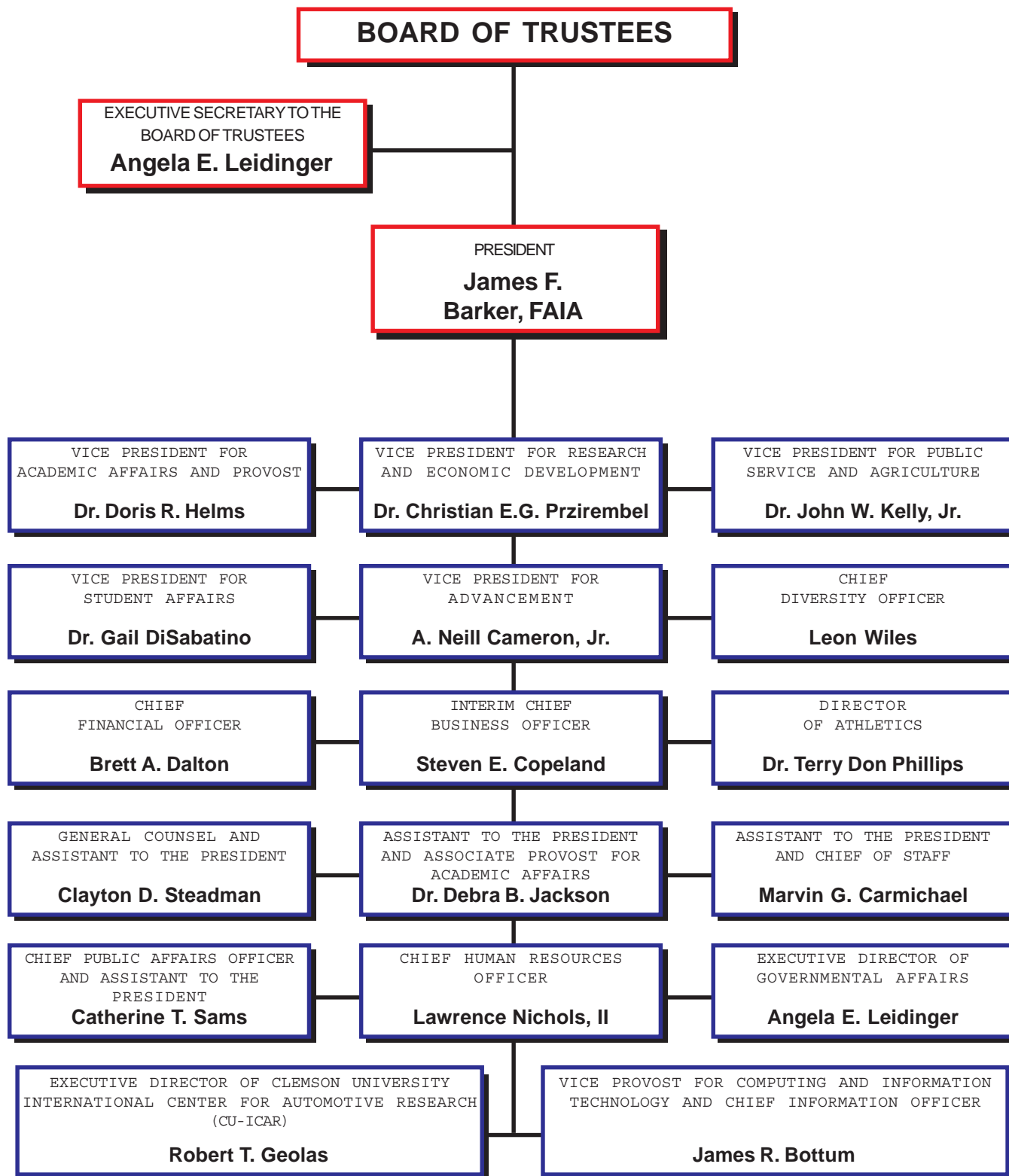
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Allen P. Wood
Retired
Mosley, Wilkins, Wood Associates, Ltd.

CLEMSON UNIVERSITY ORGANIZATION CHART





Financial Section

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Clemson University
Clemson, South Carolina

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Clemson University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Clemson University Research Foundation (a discretely presented component unit) and the Clemson University Foundation (a discretely presented component unit). The Clemson University Research Foundation and the Clemson University Foundation's reflect 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented components units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2008, 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the University as of June 30, 2008, and the changes in financial position and cash flows 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 our report dated September 26, 2008 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 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 of the financial statements that collectively comprise the University's basic financial statements. The introductory section, the supplementary information to the financial statements, and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are 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 section and statistical section 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.

Elliott Davis, LLC

Greenwood, South Carolina
September 26, 2008

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 2008. While audited financial statements for fiscal year 2007 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 \$22.7 million

- Current assets decreased by \$5.4 million. A decline in unrestricted cash of \$20 million was partially offset by an increase in restricted cash of \$13.8 million. The unrestricted cash decrease was attributable to several factors. The University continued to fund its Academic Road Map by hiring the best and the brightest young faculty in designated emphasis areas to replace retiring faculty. This transition and the related costs are reflected in the \$13 million increase in faculty salaries and benefits this year. In addition, the University continued the upgrade of its campus network, furnished, equipped and began operating the Carroll E. Campbell Graduate Education Center at its Clemson University International Center for Automotive Research (CU-ICAR) in Greenville, SC, and upgraded its Crisis Management system, all with unrestricted funding. Several factors contributed to the increase in restricted cash balances. A new seat equity plan for IPTAY season ticket holders resulted in an increase of \$5.7 million in scholarship funding. Funds held for retirement of indebtedness increased \$3.9 million. Due to downgrades for the nation's bond insurers, Athletics was forced to fully fund the (previously insured) Debt Service Reserve Funds for three of its bond issues. Restricted State funding for an Animal Research Center and for the Greenville Higher Education Consortium, in addition to private gifts for Phase II of the WestZone project in Memorial Stadium, accounted for the other increases in restricted cash. The grants and contracts receivable increase of \$952,000 was primarily attributable to a one-time funding increase in federal land-grant Hatch funds. The slight decrease in interest and income receivable of \$167,000 resulted from the decline in cash balances on hand at year end. The prepaid expenses decline of \$233,000 was mainly attributable to a decrease in workers compensation contributions paid to the State for the first quarter of the next fiscal year. The \$163,000 increase in accounts receivable was primarily attributable to fees due from other state agencies for computer services provided by the University.
- Net capital assets increased \$27.5 million. A decrease in non-depreciable construction in progress of \$6.5 million was offset by a \$33.9 million increase in depreciable assets. The biggest factor in this change was the completion of the Campbell Graduate Education Center at CU-ICAR, which was reflected in construction in progress in the amount of \$26 million at the end of last fiscal year. This project was completed and transferred to depreciable buildings at a cost of \$33 million this past year. This transfer, less depreciation on previously existing buildings, resulted in a \$22.2 million increase in the net value of campus buildings this past year. Current campus projects reflected in Construction in Progress

include: the chilled waste system renovation, the new Bio-Life Sciences building, the new Academic Success Center, the Rhodes Hall Annex, two public service buildings, the Sandhill Research Education Center Office/Lab building in Columbia, SC, and the Baruch Office/Lab building in Georgetown, SC. The purchase of an airplane and the acquisition of a new Emergency 911 and EMS Test System were the largest contributors to the \$6.4 million increase in equipment. Utilities and other nonstructural improvements increased \$3.6 million due to the construction of the plaza at CU-ICAR and the replacement of chilled water lines at the Calhoun Courts housing complex. The purchase of new automobiles, less depreciation on previously existing autos resulted in the \$1.7 million increase in automotive vehicles.

- Other assets increased \$649,000. The balance on loan to the Clemson University Foundation (CUF) increased \$17.3 million as a result of cash transfers from the University to CUF of \$25.8 million, less appreciation losses of \$8.5 million. Restricted noncurrent cash decreased \$16.8 million, largely attributable to the \$25.8 million transfer to CUF. However, this transfer was offset by \$5.8 million in State lottery-funded endowment contributions and a \$5 million endowment contribution from IPTAY, the University's athletic and scholarship fundraising organization. In addition, federal Perkins loan fund cash decreased almost \$700,000 (and student loans receivable increased) due to an increase in student loans financed with cash on hand. Investments decreased \$307,000 due to appreciation losses on endowment assets held by Wachovia, and contributions receivable declined \$241,000 due to payment of IPTAY Life membership and ARAMARK pledges.

Liabilities – decrease of \$8.4 million

- Current liabilities increased by \$2.8 million. Accounts payable decreased \$3 million, mainly due to a decline in computational equipment and accrued construction costs for CU-ICAR from the previous year. The \$1.9 million increase in deposits was primarily due to ticket sales for the August 30, 2008, football game with the University of Alabama, to be held in the Georgia Dome in Atlanta, and due to promoters. The \$1.5 million increase in deferred revenues was attributable to student payments for the second summer and fall academic sessions. This year, 20 percent of the first July payday was attributable to fiscal year 2008, resulting in an increase in accrued payroll and related liabilities of \$1.6 million. The State mandated 1 percent pay raise, coupled with increased faculty hiring, was responsible for the \$557,000 increase in the current portion of accrued compensated absences and related liabilities. An increase in the current portion of long-term debt for bonds payable of \$465,000 was the result of higher principal payments on previously existing debt. The current portion of capital leases payable decreased \$224,000 due to the expiration of three capital leases this past fiscal year.
- Noncurrent liabilities decreased by \$11.2 million. The University incurred no long-term debt this past fiscal year.

Consequently, principal payments of existing bonds, notes and capital leases payable resulted in a decline of \$11.4 million. The State mandated 1 percent pay raise, coupled with increased faculty hiring, was also responsible for an increase in the long-term portion of accrued compensated absences and related liabilities of almost \$822,000. The \$672,000 decrease in funds held for others resulted in the transfer of a longevity supplement balance for one of the Athletics coaches to TIAA-CREF as trustee.

Net Assets – increase of \$31.1 million

- Capital assets, net of related debt increased \$38.8 million. This resulted from increases in net capital assets of \$27.5 million as discussed above, along with a decrease in capital debt of \$11.3 million.
- The \$5.6 million increase in restricted – nonexpendable net assets for scholarships and fellowships resulted from \$5.8 million in State lottery funding for University endowed professorships, less appreciation losses and agents fees for endowment assets held by Wachovia.
- Restricted for expendable net assets increased \$15.4 million, based on the following:
 - Restricted – expendable net assets for scholarships and fellowships increased \$2.5 million due to the increase in scholarship gifts spurred by IPTAY's new seat equity plan which were offset by unrealized restricted endowment losses.
 - Restricted – expendable assets for research decreased approximately \$609,000, resulting primarily from an increase in deferred revenues for sponsored programs as a result of pre-payments for research yet to be done.
 - Restricted – expendable assets for instructional/departmental use increased \$1 million due to capital gifts for the Phase II of the WestZone project in Memorial Stadium, and an increase in restricted State appropriations for the Greenville Higher Education Consortium.
 - Restricted – expendable assets for student loans exhibited no material change.
 - Restricted – expendable assets for capital projects increased \$8.6 million due to a \$3.6 million restricted State appropriation for a new Animal Research Center and substantial increases by auxiliaries to bond-mandated improvement funds in anticipation of the replacement of existing dining and housing facilities.
 - Restricted – expendable assets for debt service increased \$3.9 million due to transfers by Athletics to Debt Service Reserve Funds as the result of the downgrading of bond insurers XL Capital and Ambac. These companies had previously insured Athletics bond issues. When their ratings fell below "AAA" as the result of downgrades by rating agencies, bond covenants required that the Debt Service Reserve Funds be funded.
- Unrestricted net assets decreased \$28.7 million, based on the following:
 - Unrestricted - educational and general net assets decreased \$19.8 million due to hiring and start-up packages for new faculty and extensive upgrades to the

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Condensed Summary of Net Assets (thousands of dollars)

	2008	2007	Increase/ (Decrease)	Percent Change
Assets				
Current assets	\$ 244,363	\$ 249,807	\$ (5,444)	(2.18)%
Capital assets, net	575,700	548,226	27,474	5.01%
Other assets	147,041	146,392	649	0.44%
Total Assets	<u>967,104</u>	<u>944,425</u>	<u>22,679</u>	2.40%
Liabilities				
Current Liabilities	94,684	91,931	2,753	2.99%
Noncurrent Liabilities	151,350	162,556	(11,206)	(6.89)%
Total Liabilities	<u>246,034</u>	<u>254,487</u>	<u>(8,453)</u>	(3.32)%
Net Assets				
Invested in capital assets, net of debt	429,669	390,891	38,778	9.92%
Restricted - nonexpendable	33,916	28,291	5,625	19.88%
Restricted - expendable	207,042	191,603	15,439	8.06%
Unrestricted	50,443	79,153	(28,710)	(36.27)%
Total Net Assets	<u>\$ 721,070</u>	<u>\$ 689,938</u>	<u>\$ 31,132</u>	4.51%

campus network. Also contributing were the costs for furnishing, equipping and operating the new Campbell Graduate Education Center at CU-ICAR, and upgrades to the campus Crisis Management system prompted by the Virginia Tech tragedy.

- Unrestricted – funds designated for plant fund projects increased \$10.5 million. Two projects, the Packaging and Design Building and the Bio-Life Sciences Building, were approved with substantial unrestricted education and general operating funds and received \$11.2 million in transfers this past year. In addition, a public service activity funded Turfgrass Facility building project received \$10.2 million in transfers this past year. These transfers were offset by increased expenses for projects funded by unrestricted sources.
- Unrestricted – public service activities net assets decreased \$11.8 million due to the \$10.2 million transfer for the Turfgrass Facility mentioned above and increased salary and fringe costs due to the State mandated 1 percent pay increase.
- Unrestricted – auxiliaries decreased \$7.6 million due primarily to transfers by Athletics to fund Debt Service Reserve Funds for three bond issues and increased transfers to bond-mandated building improvement funds for the replacement of existing dining and housing facilities.

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:

Total Revenues – increase of \$19.4 million

- Operating revenues increased \$34 million, based on the following:
 - Student tuition and fees increased \$12.3 million, the result of a Board approved increase of 5 percent for residents, 10 percent for nonresidents, a new library fee, and the continued phase-in of tiered tuition for junior and senior students in the College of Business and Behavioral Sciences.

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

	2008	2007	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	\$ 188,530	\$ 176,240	\$ 12,290	6.97%
Sales and services	95,427	91,386	4,041	4.42%
Grants and contracts	117,001	105,139	11,862	11.28%
Other operating revenues	25,013	19,206	5,807	30.24%
Total operating revenues	<u>425,971</u>	<u>391,971</u>	<u>34,000</u>	8.67%
State appropriations	167,224	150,335	16,889	11.23%
Federal appropriations	14,186	9,667	4,519	46.75%
Gifts	39,020	34,413	4,607	13.39%
Investment income	1,416	22,588	(21,172)	(93.73)%
Other nonoperating revenues	1,389	753	636	84.46%
Proceeds from the sale of land	—	20,061	(20,061)	(100.00)%
Total nonoperating revenues	<u>223,235</u>	<u>237,817</u>	<u>(14,582)</u>	(6.13)%
Total revenues	<u>649,206</u>	<u>629,788</u>	<u>19,418</u>	3.08%
Expenses:				
Compensation and employee benefits	402,601	366,732	35,869	9.78%
Services and supplies	174,642	148,409	26,233	17.68%
Utilities	17,951	16,483	1,468	8.91%
Depreciation	32,697	29,946	2,751	9.19%
Scholarships and fellowships	10,845	6,794	4,051	59.63%
Total operating expenses	<u>638,736</u>	<u>568,364</u>	<u>70,372</u>	12.38%
Interest expense	7,196	7,211	(15)	(0.21)%
Loss on disposal of capital assets	443	744	(301)	(40.46)%
Refunds to grantors	386	697	(311)	(44.62)%
Facilities and administrative remittances to the State	710	644	66	10.25%
Total nonoperating expenses	<u>8,735</u>	<u>9,296</u>	<u>(561)</u>	(6.03)%
Total expenses	<u>647,471</u>	<u>577,660</u>	<u>69,811</u>	12.09%
Income before other revenues, expenses, gains or losses	1,735	52,128	(50,393)	(96.67)%
State capital appropriations	19,501	44,149	(24,648)	(55.83)%
Capital grants and gifts	3,998	25,563	(21,565)	(84.36)%
Additions to permanent endowments	5,898	1,839	4,059	220.72%
Change in net assets	31,132	123,679	(92,547)	(74.83)%
Net assets, beginning	689,938	566,259	123,679	21.84%
Net assets, ending	<u>\$ 721,070</u>	<u>\$ 689,938</u>	<u>\$ 31,132</u>	4.51%

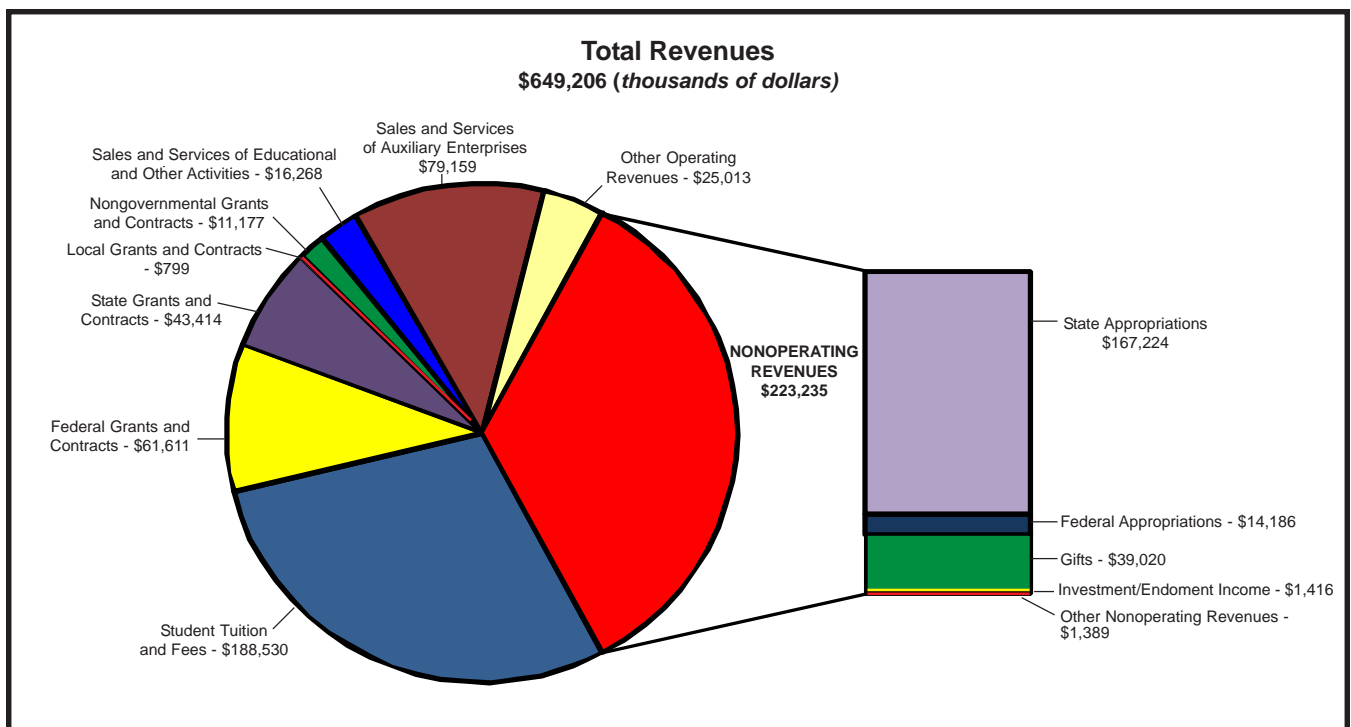
- Sales and services revenues increased \$4 million. Sales and services of pledged auxiliaries increased \$629,000. Increases in Athletics and Parking Services revenues and Housing and Dining revenues, prompted by Board-approved fee increases of 4.13 percent and 5 percent, respectively, were offset by a \$1.9 million increase in scholarship allowances resulting from the student tuition and fee increases. Non-pledged auxiliaries sales and services increased \$1.2 million, an amount almost totally attributable to increases in Information Systems Development fees. The \$2.2 million increase in sales and services of educational activities resulted primarily from increases in fees for the use of camps/leadership centers and the Outdoor Lab, plus an increase in dairy farm revenues.
- Grants and contracts revenues increased \$11.9 million. Revenues from federal grants and contracts increased

\$4.4 million due to an increase in federal sponsored projects and a \$1.8 million increase in Pell student loans. State grants were up \$7.5 million due to increases in State Lottery funded Palmetto Fellowships, LIFE and Need-Based scholarships, plus \$1.1 million in additional funding for University Center in Greenville, SC. Local and nongovernmental grants and contracts revenues were substantially the same as the prior year.

- Other operating revenues increased \$5.8 million. A \$3 million increase in computer service fees, charged primarily to other State agencies, was the single largest contributor to this increase. Also contributing were increases in membership fees charged by Consortiums and Institutes, student activities revenues from concerts and other events, and educational program revenues for the Institute of Family & Neighborhood Life and off campus programs.

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- Nonoperating revenues decreased \$14.6 million, based on the following:
 - State appropriations increased \$16.9 million. Appropriations for Educational & General (E&G) activities increased \$10.3 million, including an increase of \$7.9 million for base appropriations and partial funding for salary and benefits increases, plus \$1.5 million for the high-tech Light Rail, \$800,000 for Engineering Research and \$105,000 for deferred maintenance. Appropriations for Public Service Activities (PSA) increased \$6.6 million.
 - Federal appropriations increased \$4.5 million due to one-time funding provided by the US Department of Agriculture for Hatch and McIntire Stennis agricultural research projects.
 - Gifts increased \$4.6 million. IPTAY's new seat equity plan resulted in an increase of gifts for scholarships to that entity of \$6.7 million. In addition, the Clemson University Foundation (CUF) increased gifts for the Eugene T. Moore School of Education, for National Scholars and for Clemson Scholars. These increases offset a decline of \$3.5 million in Prudential demutualization proceeds received the previous year.
 - Investment income decreased \$21.2 million. An increase in investment income for cash amounts held by the State Treasurer was offset by realized and unrealized losses on amounts held by CUF of \$23.7 million.
 - The other nonoperating revenues increase of \$636,000 was attributable to an asbestos abatement settlement.
 - The University received \$20.1 million in proceeds from the sale of land last fiscal year. There were no similar sales this year.



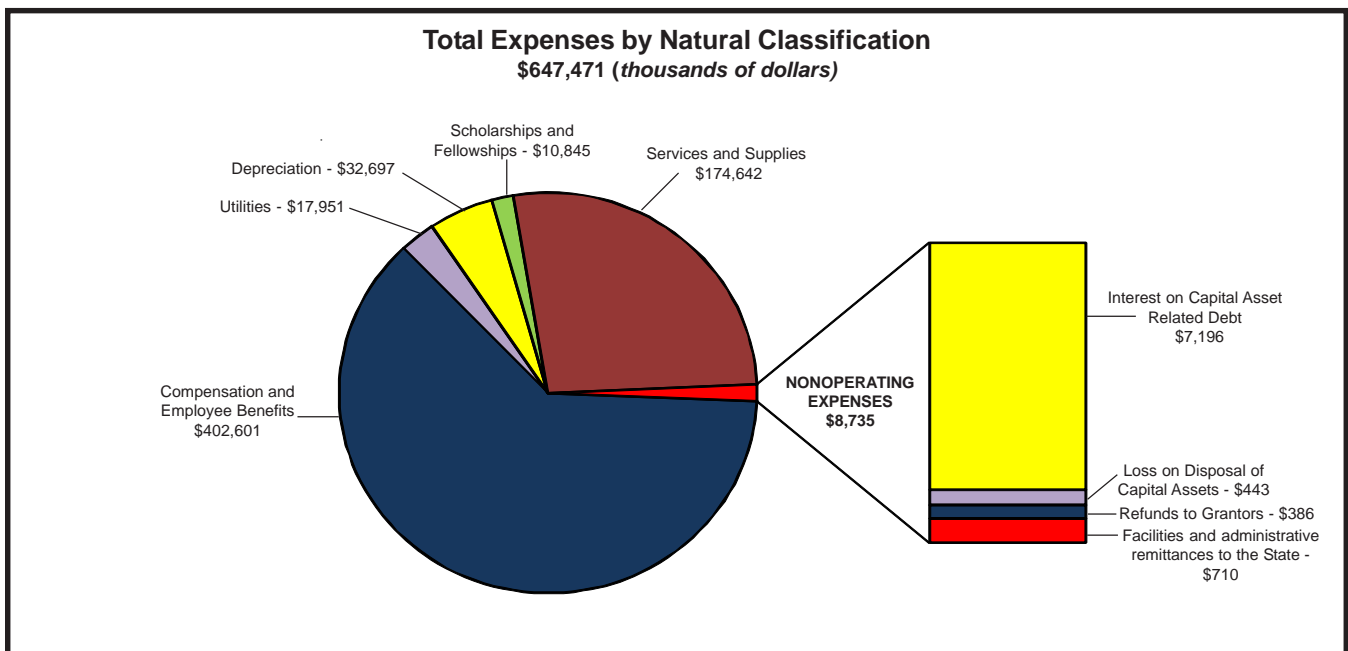
Total Expenses – increase of \$69.8 million

- Operating expenses increased \$70.4 million, based on the following:
 - Compensation and employee benefits increased \$35.9 million. A State mandated 1 percent cost-of-living pay raise, plus faculty turnover as anticipated by the Academic Road Map were the primary reasons for this increase. Unclassified faculty salaries increased \$13 million over the previous year. Employer fringes increased \$11.3 million, a reflection of rising benefits costs. Classified salaries for staff increased \$4.2 million. Salaries and wages for part-time workers and graduate assistant salaries increased \$4.5 million and \$2.8 million, respectively.
 - Services and supplies expenses increased \$26.2 million. Instruction costs accounted for \$2.7 million of this increase due to increased network upgrade costs and costs incurred for a new SC Coalition for Math & Science grant received from the SC Department of Education. The research increase of \$7.1 million was also attributable to network upgrade costs in addition to start-up costs for CU-ICAR and a one-time funding increase for federal Hatch and McIntire Stennis agricultural research programs that could not be spent on recurring costs like salaries. The \$4.6 million increase in public service costs was attributable to network upgrade costs, renovations at the Madren Continuing Education Center, increased costs for camps and the Youth Learning Institute and a USDA funded Meat/Poultry Inspection sponsored project. Academic support costs decreased \$1.4 million due a decline in non-capitalized network upgrade costs from the previous year. Student services costs increased approximately \$1 million, primarily due to the Solid Orange spring event and increased costs for Tiger Paw

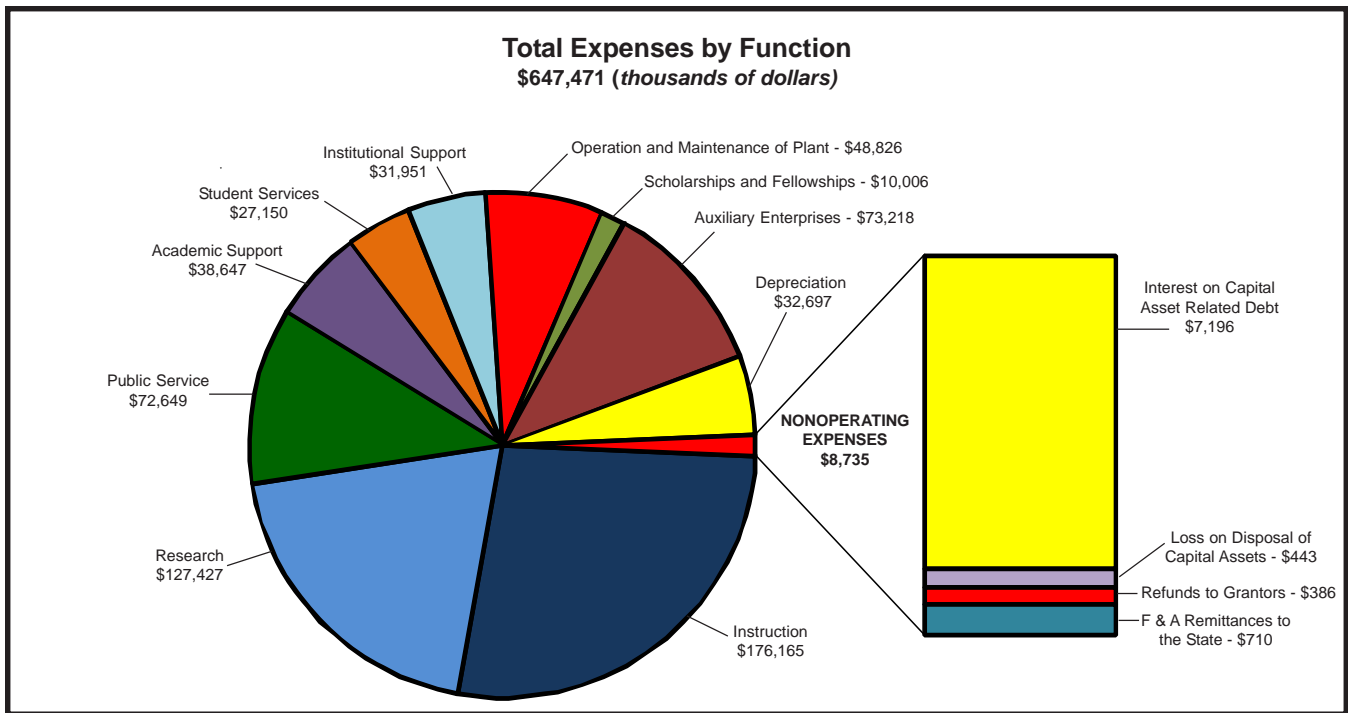
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Productions, which provides discounted student tickets for concert events. The \$611,000 increase in institutional support costs resulted from the installation of a new eProcurement system . Operation and maintenance of plant costs increased \$10 million. Repairs and renovation costs for campus departments increased \$1.8 million and almost \$1 million was spent on a new Crisis and Emergency Management system. However, the biggest component of this increase was in non-capitalized repairs and renovations to campus buildings. The \$1.9 million increase in auxiliaries expenses was primarily attributable to Athletics. Increased team travel and recruiting costs, an increase in the general and administrative overhead charge to auxiliaries, and contractual commitments all contributed to this increase.

- Utilities expenses increased \$1.5 million. Almost all of this increase was attributable to rising energy costs for heat, light and power. Costs for telecommunications and water, waste and garbage decreased.
- Depreciation expenses increased \$2.8 million. Approximately \$24 million in new equipment and vehicles resulted in an increase of equipment depreciation of approximately \$1.8 million. In addition, approximately \$43 million in new buildings and other nonstructural improvements resulted in an increase in depreciation expense of \$1 million.
- Scholarships and fellowships expenses increased \$4 million. This increase was partially attributable to the \$6.4 million increase in State funded scholarships and the student tuition increase of 5 percent for state residents and 10 percent for out-of-state residents.
- Nonoperating expenses decreased \$561,000, based on the following:
 - Interest expense remained relatively the same. The University incurred no new debt issues this past fiscal year and retired three capital building leases.
 - Losses on disposal of capital assets decreased \$301,000. As opposed to last fiscal year, the University did not sell property and had fewer disposals of equipment with remaining depreciable life.
 - Refunds to grantors decreased \$311,000. The previous fiscal year the University refunded \$648,000 to grantors for a single sponsored project. There were no similar refunds this past year. The refunds that were incurred were primarily due to sponsors making fixed scheduled payments or sponsors requesting preliminary invoices before fiscal year end.
 - Facilities and administrative costs remitted to the State increased \$66,000. The State requires such costs collected for non-research sponsored projects in excess of \$200,000 to be remitted.
- The State capital appropriations decrease of \$24.6 million was attributable to a \$33.6 million decline in Research Infrastructure and Economic Development bond proceeds upon the completion of the Campbell Graduate Education Center at CU-ICAR. Offsetting this decline was an increase of \$9 million in State capital appropriations, primarily for public service activities projects.
- Capital grants and gifts decreased \$21.6 million. Last fiscal year the University received a \$20.2 million in-kind gift from the city of North Charleston for the Clemson University Restoration Institute. There were no similar gifts this past fiscal year. In addition, there was a \$1.2 million decline in cash gifts for the WestZone capital project as Phase I of that project was completed.
- The \$4.1 million increase in additions to permanent endowments resulted from an increase in State lottery funded endowed professorships from the previous year.



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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 non-operating, 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.

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2008 and June 30, 2007 were as follows:

Capital Assets (net of accumulated depreciation)				
	2008	2007	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	\$ 26,734,383	\$ 26,734,383	\$ 0	0.00%
Construction in progress	25,295,446	31,768,849	(6,473,403)	(20.38)%
Utilities systems and other non-structural improvements	24,889,493	21,281,312	3,608,181	16.95%
Buildings and improvements	430,950,349	408,738,163	22,212,186	5.43%
Computer software	—	—	—	0.00%
Equipment	59,356,291	52,922,315	6,433,976	12.16%
Vehicles	8,474,406	6,780,897	1,693,509	24.97%
Total	\$ 575,700,368	\$ 548,225,919	\$ 27,474,449	5.01%

The University had no land acquisitions or sales this past fiscal year.

The 20 percent decrease in non-depreciable fixed assets was attributable to a decline in Construction in Progress. The Carroll A. Campbell Graduate Education Center at CU-ICAR was completed this fiscal year at a total cost in excess of \$33 million (\$26 million was in Construction in Progress as of June 30, 2007). Several University building projects were initiated or progressed substantially this past fiscal year. Among them were: the Chilled Water System replacement, the new Bio-Life

Sciences Building, the new Academic Success Center, and the Rhodes Hall Annex. In addition, two public service activities buildings, an office building at the Sandhill Research and Education Center in Columbia, SC, and the Baruch Office/Lab building in Georgetown, SC, incurred significant expenditures this past fiscal year.

The \$3.6 million increase in Utilities Systems and Other Non-Structural Improvements was attributable to the construction of the CU-ICAR plaza and the replacement of water lines at Calhoun Courts.

The Buildings increase of approximately \$22 million was directly attributable to the completion of the Carroll A. Campbell Graduate Education Center at CU-ICAR, less depreciation on previously existing buildings.

A new airplane and a new Emergency 911 and EMS Test System were the primary components of the \$6.4 million increase in equipment.

New fleet additions of \$2.1 million, less depreciation on previously existing vehicles, accounted for the increase in vehicles of almost \$1.7 million.

For more detailed information on capital asset activity, please refer to Note 4 - Capital Assets in the Notes to the Financial Statements.

Debt Administration

The University's financial statements indicate \$144,138,685 in bonds payable, \$1,284,709 in capital leases payable and \$1,876,501 in notes payable at June 30, 2008.

The University's bonded indebtedness consisted of: General Obligation Bonds of \$49,660,000, Plant Improvement Bonds of \$2,360,000 and various Revenue Bond issues totaling \$92,118,685. 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 \$1,284,709 in capital leases is comprised of one lease for land and real estate and an equipment lease.

The \$1,876,501 in notes payable is comprised of a note from the South Carolina State Energy Office to upgrade campus lighting, a construction loan with the Clemson University Foundation, a component unit, and a note with Bank of America used to construct a new scoreboard in Memorial Stadium.

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 University's economic position is closely tied to the State of South Carolina. The State ended fiscal year 2008 with a \$250 million budgetary deficit.

In his end-of-the-year news release, State Comptroller General, Richard Eckstrom, noted that "revenue collections were erratic and falling compared to corresponding collections in the prior fiscal year". Mr. Eckstrom was forced to drawdown the entire Capital Reserve Fund of \$125 million, \$73 million of the State's General Reserve Fund and FY 07 surpluses carried over for spending in FY 08 to cover the deficit. As of June 30, 2008, the State's "Rainy Day Fund" had a remaining balance of \$95 million. Also, in response to the budgetary deficit, the State Budget & Control Board announced an across-the-board 3 percent budget cut for State agencies, including the University.

State appropriations to fund operations increased \$16.9 million for fiscal year 2008, yet still remained below their peak level of fiscal year 2001. Even before the announced 3 percent budget cuts, appropriations for fiscal year 2009 approved by the legislature were \$6.5 million less than amounts for fiscal year 2008.

State scholarship programs funded with lottery proceeds increased \$6.4 million in fiscal year 2008. In addition, through the Endowed Chairs program, which matches private contributions for endowed professorships, the University received an additional \$4.1 million in State lottery proceeds this past fiscal year.

The \$24.6 million decline in State capital appropriations was anticipated upon the completion of the Carroll E. Campbell Graduate Education Center at CU-ICAR, in Greenville, SC. This facility was substantially financed with State Research Infrastructure and Economic Development bonds. The University did, however, receive almost \$9 million in State capital appropriations for two public service activities buildings.

Partially in response to the decline in state appropriations for operations, the University's Board of Trustees adopted a budget for fiscal year 2009 that included a 5 percent tuition increase for in-state students and a 7.5 percent increase for out-of-state students. However, the Budget Document approved for the 2008-2009 fiscal year noted that "Virtually all South Carolina freshmen entering Clemson University will receive a state funded scholarship. These scholarships and grants significantly reduce the true cost for an average entering freshman and upper classmen who maintain the required 3.0 grade point average.

CLEMSON UNIVERSITY STATEMENT OF NET ASSETS

June 30, 2008

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 112,352,818	\$ 7,699,614
Restricted Assets:		
Cash and cash equivalents	96,066,357	31,388
Accounts receivable (Net of provision for doubtful accounts of \$59,599)	9,407,747	2,192,558
Grants and contracts receivable	20,799,786	—
Contributions receivable, net	585,132	—
Interest and income receivable	1,687,097	—
Student loans receivable	29,342	—
Inventories	796,778	—
Prepaid expenses	2,570,609	39,487
Other	67,730	—
Total current assets	<u>244,363,396</u>	<u>9,963,047</u>
Noncurrent Assets:		
Notes receivable	115,733,085	—
Contributions receivable, net	319,334	—
Investments	2,620,852	—
Restricted Assets:		
Cash and cash equivalents	19,094,540	—
Student loans receivable	8,709,350	—
Other	562,991	—
Capital assets, not being depreciated	52,029,829	193,882
Capital assets, net of accumulated depreciation	<u>523,670,539</u>	<u>1,782,212</u>
Total noncurrent assets	<u>722,740,520</u>	<u>1,976,094</u>
Total assets	<u>\$ 967,103,916</u>	<u>\$ 11,939,141</u>
LIABILITIES		
Current Liabilities:		
Accounts and retainages payable	\$ 23,309,045	\$ 2,418,043
Accrued payroll and related liabilities	11,533,122	—
Accrued compensated absences and related liabilities	14,424,918	—
Accrued interest payable	934,054	6,096
Deferred revenues	28,710,630	1,451,504
Bonds payable	10,501,420	—
Capital leases payable	411,608	—
Notes payable	482,436	45,464
Deposits	2,957,024	—
Funds held for others	1,419,010	31,043
Total current liabilities	<u>94,683,267</u>	<u>3,952,150</u>
Noncurrent Liabilities:		
Arbitrage payable	39,484	—
Accrued compensated absences and related liabilities	8,010,082	—
Funds held for others	7,396,457	—
Bonds payable	133,637,265	—
Capital leases payable	873,101	—
Notes payable	<u>1,394,065</u>	<u>1,075,642</u>
Total noncurrent liabilities	<u>151,350,454</u>	<u>1,075,642</u>
Total liabilities	<u>\$ 246,033,721</u>	<u>\$ 5,027,792</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 429,669,159	\$ 854,988
Restricted for nonexpendable purposes:		
Scholarships and fellowships	33,916,367	—
Restricted for expendable purposes:		
Scholarships and fellowships	134,401,061	—
Research	1,117,441	3,554,892
Instructional/departmental use	23,092,193	—
Loans	1,739,353	—
Capital projects	37,997,550	—
Debt service	8,694,043	—
Unrestricted	<u>50,443,028</u>	<u>2,501,469</u>
Total net assets	<u>\$ 721,070,195</u>	<u>\$ 6,911,349</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, 2008

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$54,132,776)	\$ 188,529,574	\$ 3,181,201
Federal grants and contracts	61,612,082	—
State grants and contracts	43,413,583	—
Local grants and contracts	798,737	—
Nongovernmental grants and contracts	11,176,650	1,837,867
Sales and services of educational and other activities	16,268,276	—
Sales and services of auxiliary enterprises - pledged for revenue bonds (net of scholarship allowances of \$12,208,755)	71,748,087	—
Sales and services of auxiliary enterprises - not pledged	7,410,755	—
Other operating revenues	25,012,519	5,735,653
Total operating revenues	<u>425,970,263</u>	<u>10,754,721</u>
EXPENSES		
Operating Expenses:		
Compensation and employee benefits	402,600,674	14,081
Services and supplies	174,641,882	10,281,638
Utilities	17,951,285	160,071
Depreciation	32,697,466	208,792
Scholarships and fellowships	10,845,318	—
Total operating expenses	<u>638,736,625</u>	<u>10,664,582</u>
Operating loss	<u>(212,766,362)</u>	<u>90,139</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	167,224,064	—
Federal appropriations	14,186,380	—
Gifts	39,019,781	122,816
Interest income	8,462,510	251,996
Endowment income	(7,045,518)	—
Interest on capital asset related debt	(7,195,754)	(70,573)
Other nonoperating revenues	1,389,456	—
Gain/loss on disposal of capital assets	(443,095)	23,463
Refunds to grantors	(386,146)	—
Facilities and administrative remittances to the State	(709,861)	—
Net nonoperating revenues	<u>214,501,817</u>	<u>327,702</u>
Income before other revenues, expenses, gains or losses	1,735,455	417,841
State capital appropriations	19,500,358	—
Capital grants and gifts	3,998,244	—
Additions to permanent endowments	5,898,217	—
Increase in net assets	<u>31,132,274</u>	<u>417,841</u>
NET ASSETS		
Net assets, Beginning of Year	689,937,921	6,493,508
Net assets, End of Year	<u>\$ 721,070,195</u>	<u>\$ 6,911,349</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY STATEMENT OF CASH FLOWS

For the year ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from customers	\$ 251,813,630
Grants and contracts	116,841,384
Payments to suppliers	(198,439,794)
Payments to employees	(310,089,609)
Payments for benefits	(75,850,370)
Payments to students	(34,838,039)
Inflows from Stafford loans	40,238,164
Outflows from Stafford loans	(5,230,961)
Loans to students	(37,186)
Collection of loans	1,265,497
Net cash used by operating activities	<u>(214,327,284)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	167,224,064
Federal appropriations	13,325,448
Gifts	81,605,940
Net cash flow provided by noncapital financing activities	<u>262,155,452</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State capital appropriations	19,255,094
Capital grants and gifts received	3,122,371
Purchases of capital assets	(59,720,352)
Principal paid on capital debt and leases	(11,303,923)
Interest and fees	(7,046,176)
Net cash used by capital activities	<u>(55,692,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	10,277,978
Transfer to Clemson University Foundation	(25,860,675)
Proceeds from stock sales	446,999
Net cash flows used by investing activities	<u>(15,135,698)</u>
Net change in cash	(23,000,516)
Cash beginning of year	250,514,231
Cash end of year	<u>\$ 227,513,715</u>
Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	\$ (212,766,362)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	32,697,466
Change in asset and liabilities:	
Receivables net	(65,032,171)
Grants and contracts receivable	(1,241,135)
Student loans receivable	(710,814)
Prepaid expenses	(187,065)
Inventories	317,826
Other	(639,951)
Accounts and retainages payable	27,521,723
Accrued payroll and related liabilities	1,589,555
Accrued compensated absences and related liabilities	1,379,000
Deferred revenue	1,651,336
Deposits held for others	1,093,308
Net cash used by operating activities	<u>\$ (214,327,284)</u>
NON-CASH TRANSACTIONS	
Decrease in fair value of investments	(11,218,102)
Assets acquired through gifts	911,825
RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES	
Current assets:	
Cash and cash equivalents	\$ 112,352,818
Restricted cash and cash equivalents	96,066,357
Noncurrent assets	19,094,540
Total cash and cash equivalent balances	<u>\$ 227,513,715</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION STATEMENT OF FINANCIAL POSITION

June 30, 2008

ASSETS

Cash and cash equivalents	\$ 30,417,004
Contributions receivable, net	25,433,522
Other receivables	66,641
Due from related organizations	2,030,637
Investments	288,186,851
Investments held for Clemson University	115,733,085
Cash surrender value of life insurance	1,153,859
Land held for resale	11,900
Land, buildings and equipment, net	9,295,920
Investments held in trust for affiliate	2,447,387
Other assets	671,781
Total assets	\$ 475,448,587

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued liabilities	\$ 2,129,755
Due to related organizations	17,708
Accrued liability to Clemson University due to net investment appreciation	25,445,734
Note payable to Clemson University	90,287,351
Deposits held for others	1,469,637
Actuarial liability of annuities payable	6,391,274
Trust funds administered for affiliate	2,447,387
Total liabilities	128,188,846
Net Assets:	
Unrestricted	33,898,417
Temporarily restricted	116,323,520
Permanently restricted	197,037,804
Total net assets	347,259,741
Total liabilities and net assets	\$ 475,448,587

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS AND OTHER SUPPORT:				
Gifts and bequests	\$ 3,458,809	\$ 13,395,022	\$ 11,268,598	\$ 28,122,429
Income on investments	3,827,813	3,286,823	1,156	7,115,792
Net realized and unrealized gains (losses) on investments ...	(2,671,446)	(21,540,490)	(17,302)	(24,229,238)
Program income	716,699	668,137	—	1,384,836
Other income	715,403	—	32,443	747,846
Change in value of split-interest agreements	6,657	(30,573)	(1,651,053)	(1,674,969)
Total revenues and gains	6,053,935	(4,221,081)	9,633,842	11,466,696
Net assets released from restrictions	14,897,533	(14,897,533)	—	—
Total revenues, gains and other support	20,951,468	(19,118,614)	9,633,842	11,466,696
EXPENSES:				
Program expenses - grant to Clemson University	1,370,819	—	—	1,370,819
Program expenses - alumni operations	520,775	—	—	520,775
Program expenses - endowments	6,063,811	—	—	6,063,811
Program expenses - operations	5,235,770	—	—	5,235,770
Program expenses - capital projects	4,208,604	—	—	4,208,604
Total program expenses	17,399,779	—	—	17,399,779
General administrative	1,130,743	—	—	1,130,743
Fundraising	2,111,798	—	—	2,111,798
Total expenses	20,642,320	—	—	20,642,320
Change in net assets	309,148	(19,118,614)	9,633,842	(9,175,624)
Net assets at beginning of year	33,589,269	135,442,134	187,403,962	356,435,365
Net assets at end of year	\$ 33,898,417	\$ 116,323,520	\$ 197,037,804	\$ 347,259,741

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.

The University follows 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 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 discretely presented 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. 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, P.O. Box 946, Clemson, SC 29633.

Financial Statement Presentation

The financial statements of the University are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's 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.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University, along with the Clemson University Research Foundation, its discretely presented component unit, is considered a special-purpose

NOTES TO FINANCIAL STATEMENTS

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles in the United States of America utilize 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.

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 uncollectible 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 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

NOTES TO FINANCIAL STATEMENTS

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 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, computer parts and accessories, telecommunications supplies and medical supplies.

Noncurrent Cash and Investments

Noncurrent cash and investments primarily consist of permanently endowed funds and federal student loan funds. These funds are externally restricted and 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 accrued longevity supplements 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 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 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

NOTES TO FINANCIAL STATEMENTS

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 - 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.

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.

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 Federal appropriations, 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".

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

NOTES TO FINANCIAL STATEMENTS

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			
<u>Statement of Net Assets</u>		<u>Footnotes</u>	
Cash and cash equivalents	\$ 227,513,715	Cash on hand	\$ 247,099
Investments	2,620,852	Deposits held by State Treasurer	227,192,896
		Other deposits	73,720
		Investments held by State Treasurer	154,439
		Other investments	2,466,413
Total	\$ <u>230,134,567</u>	Total	\$ <u>230,134,567</u>

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. For the fiscal year ending June 30, 2008, \$60,847 of the \$227,192,896 identified above as "Deposits held by State Treasurer" is attributable to unrealized appreciation.

Other Deposits

The University's other deposits at year-end were entirely covered by federal depository insurance or collateral held by custodial banks.

Investments Held by State Treasurer

Investments held by State Treasurer are comprised of 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.

Other Investments

The University also has investments in mutual funds as authorized by a single donor. The mutual funds with a fair value of \$2,466,413, are held, and invested by, Wachovia, Inc., as trustee in accordance with the endowment agreement specified by the donor.

NOTES TO FINANCIAL STATEMENTS

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

“Other Investments” are stated at fair value and include unrealized appreciation of \$1,174,446. Purchases and sales are accounted for on the trade date. Both unrealized and realized gains and losses on investments have been recorded. Earnings are recorded on an accrual basis.

Other Investments	Fair Value	Effective Maturity (Years)	Credit Rating
Short intermediate bond fund	\$ 727,000	5.9	N/A
International bond fund	165,786	6.1	N/A
Equity funds	1,573,627	N/A	N/A
Total other investments	<u>\$ 2,466,413</u>		

NOTE 3. RECEIVABLES

University receivables reported in the Statement of Net Assets as of June 30, 2008, were as follows:

University Receivables	Current	Noncurrent	Total
Accounts receivable	\$ 9,407,747	\$ —	\$ 9,407,747
Grants and contracts receivable	20,799,786	—	20,799,786
Notes receivable	—	115,733,085	115,733,085
Contributions receivable	585,132	319,334	904,466
Interest and income receivable	1,687,097	—	1,687,097
Student loans receivable	29,342	8,709,350	8,738,692
Total university receivables	<u>\$ 32,509,104</u>	<u>\$ 124,761,769</u>	<u>\$ 157,270,873</u>

Accounts receivable are reported net of allowances for doubtful accounts of \$59,599 based on credit losses experienced in prior years and evaluation of current portfolios. Student payment allowances of \$35,000, parking services allowances of \$19,599, and telecommunications allowances of \$5,000 comprise this amount. Contributions receivable are reported net of allowances for current uncollectible pledges of \$45,624 and allowances for noncurrent uncollectible pledges of \$57,289.

Accounts receivable for the year ended June 30, 2008, were comprised of the following balances:

Accounts Receivable	
State bond proceeds	\$ 3,200,771
Computer services	1,634,373
Students/scholarships	1,376,106
Auxiliaries	916,604
Educational program	768,923
Professional development/conferences	577,098
Fees	405,896
Camps	364,246
Other	163,730
Total accounts receivable	<u>\$ 9,407,747</u>

NOTES TO FINANCIAL STATEMENTS

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, 2008, were comprised of the following balances:

Grants and Contracts Receivable					
	Federal	State	Local	Nongovernmental	Total
Sponsored research	\$ 14,105,332	\$ 856,378	\$ 187,025	\$ 2,449,259	\$ 17,597,994
Land-grant appropriations	2,307,016	—	—	—	2,307,016
Scholarship programs	894,776	—	—	—	894,776
Total grants and contracts receivable	\$ 17,307,124	\$ 856,378	\$ 187,025	\$ 2,449,259	\$ 20,799,786

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	\$ 192,445	\$ 204,676	\$ 397,121
Athletic scholarships	392,687	114,658	507,345
Total contributions receivables	\$ 585,132	\$ 319,334	\$ 904,466

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, 2008, the University had notes receivable from the Clemson University Foundation, a related party, totaling \$115,733,085. This amount includes the original loan of \$35,358,188, additional amounts totaling \$54,929,162 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, 2008, is summarized as follows:

Capital Assets				
	Beginning Balance June 30, 2007	Increases	Decreases	Ending Balance June 30, 2008
Capital assets not being depreciated:				
Land and improvements	\$ 26,734,383	\$ —	\$ —	\$ 26,734,383
*Construction in progress	31,768,849	26,862,295	33,335,698	25,295,446
Total capital assets not being depreciated	<u>58,503,232</u>	<u>26,862,295</u>	<u>33,335,698</u>	<u>52,029,829</u>
Depreciable capital assets:				
Utilities systems and other non-structural improvements	34,872,131	5,230,185	—	40,102,316
Buildings and improvements	619,813,670	37,893,145	—	657,706,815
Computer software	938,422	—	—	938,422
Equipment	157,381,816	21,897,467	5,643,607	173,635,676
Vehicles	14,593,225	2,065,790	348,382	16,310,633
Total depreciable capital assets at historical cost	<u>827,599,264</u>	<u>67,086,587</u>	<u>5,991,989</u>	<u>888,693,862</u>
Less accumulated depreciation for:				
Utilities systems and other non-structural improvements	13,590,819	1,622,004	—	15,212,823
Buildings and improvements	211,075,507	15,680,959	—	226,756,466
Computer software	938,422	—	—	938,422
Equipment	104,459,501	15,050,205	5,230,321	114,279,385
Vehicles	7,812,328	344,298	320,399	7,836,227
Total accumulated depreciation	<u>337,876,577</u>	<u>32,697,466</u>	<u>5,550,720</u>	<u>365,023,323</u>
Depreciable capital assets, net	489,722,687	34,389,121	441,269	523,670,539
Capital assets, net	<u>\$ 548,225,919</u>	<u>\$ 61,251,416</u>	<u>\$ 33,776,967</u>	<u>\$ 575,700,368</u>

* Includes current fiscal year capitalized interest of \$261,066
 ** There were no proceeds on disposal of capital assets.

**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, 2008.

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	\$ 15,071,034
Sponsored research programs	7,630,973
Academic and other fees - second summer semester	4,955,075
Educational programs	405,565
Admission fees - fall semester	267,081
Other	156,427
Public service programs	126,355
Other auxiliary fees - second summer session	77,202
Professional development fees	20,918
Total deferred revenues	<u>\$ 28,710,630</u>

NOTES TO FINANCIAL STATEMENTS

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

Bonds Payable

At June 30, 2008, bonds payable consisted of the following:

Bonds Payable				
	Interest Rate	Maturity Dates	June 30, 2008 Balance	Debt Retired in Fiscal Year 2008
General Obligation Bonds				
Bonds dated 4/01/95 (Series 1995A)	5.25%	6/1/2010	\$ 580,000	\$ 265,000
Bonds dated 6/01/97 (Series 1997B)	4.80%	6/1/2010	2,290,000	1,065,000
Bonds dated 7/01/02 (Series 2002B)	4.00-4.375%	6/1/2017	18,790,000	605,000
Bonds dated 3/01/03 (Series 2003B)	2.75-4.50%	6/1/2017	8,275,000	775,000
Bonds dated 12/01/03 (Series 2003F)	3.00-4.25%	6/1/2018	7,505,000	450,000
Bonds dated 4/01/07 (Series 2007B)	2.50-4.50%	6/1/2021	12,220,000	655,000
			<u>49,660,000</u>	
Plant Improvement Refunding Bonds				
Bonds dated 3/01/98 (Series 1998)	4.50%	5/1/2011	2,360,000	720,000
			<u>2,360,000</u>	
Revenue Bonds				
Bonds dated 1/01/98 (Series 1998A)	4.75%	5/1/2012	8,410,000	1,995,000
Bonds dated 5/01/00 (Series 2000)	5.50%	5/1/2009	1,090,000	1,035,000
Bonds dated 8/01/03 (Series 2003)	4.00-5.00%	5/1/2018	25,140,000	735,000
Bonds dated 12/1/05 (Series 2005)	4.00-5.00%	5/1/2020	21,235,000	420,000
			<u>55,875,000</u>	
Athletic Facilities Revenue Bonds				
Bonds dated 6/01/01 (Series 2001)	4.10-4.75%	5/1/2016	13,180,000	1,285,000
Bonds dated 6/01/03 (Series 2003)	3.00-5.00%	5/1/2023	6,995,000	5,000
Bonds dated 12/1/05 (Series 2005)	4.00-6.00%	5/1/2025	14,800,000	200,000
			<u>34,975,000</u>	
Subtotal bonds payable			142,870,000	10,210,000
Plus unamortized bond premium			1,583,401	141,137
Less unamortized bond deferred loss			(314,716)	(314,718)
Total bonds payable			<u>\$ 144,138,685</u>	<u>\$ 10,036,419</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, Series 2003 and Series 2005; and the Athletic Facilities

Revenue Bonds, Series 2001, 2003 and 2005. In addition, a surety bond was purchased for the Athletic Facilities Revenue Bonds, Series 2001, 2003 and 2005. The insurance guarantees payment of principal and interest until all debt has been retired.

Tuition fees for the fiscal year ended June 30, 2007 were \$11,940,682 which results in a legal annual debt service limit at June 30, 2008 of \$10,746,614. 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 in part, but if redeemed 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 par.

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

NOTES TO FINANCIAL STATEMENTS

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.

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 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 2005 Improvement and Refunding Revenue Bonds maturing prior to May 1, 2017, shall not be subject to redemption prior to their stated maturities. The Series 2005 Bonds maturing on or after May 1, 2017, shall be subject to redemption at the option of the Board of Trustees on or after May 1, 2016, in whole or part at any time, and if in part in those maturities designated by the University and by lot within a maturity (but only in integral multiples of \$5,000) upon 30 days notice at the par amount of the principal to be redeemed, plus accrued interest thereon.

The Series 2005 Athletic Facilities Revenue Bonds maturing prior to May 1, 2017 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2017 at the option of the University on or after May 1, 2016, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption.

The Series 2007B General Obligation Bonds maturing on and after June 1, 2018, 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, 2017, at par plus accrued interest to the date fixed for redemption.

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 and Athletic Facilities Revenue bond obligations as of June 30, 2008, are as follows:

Revenue and Athletic Facilities Revenue Bonds			
	Principal	Interest	Total
Year Ending June 30			
2009	\$ 5,950,000	\$ 4,212,202	\$ 10,162,202
2010	6,230,000	3,940,885	10,170,885
2011	6,535,000	3,657,422	10,192,422
2012	6,845,000	3,357,985	10,202,985
2013	7,170,000	3,044,748	10,214,748
2014 through 2018	40,490,000	9,809,175	50,299,175
2019 through 2023	12,465,000	2,772,719	15,237,719
2024 through 2025	5,165,000	351,225	5,516,225
	\$ 90,850,000	\$ 31,146,361	\$ 121,996,361

Amounts including interest required to complete payment of the Plant Improvement bonds as of June 30, 2008, are as follows:

Plant Improvement Refunding Bonds			
	Principal	Interest	Total
Year Ending June 30			
2009	\$ 750,000	\$ 106,200	\$ 856,200
2010	790,000	72,450	862,450
2011	820,000	36,900	856,900
	\$ 2,360,000	\$ 215,550	\$ 2,575,550

Amounts including interest required to complete payment of the General Obligation Bonds as of June 30, 2008, are as follows:

General Obligation Bonds			
	Principal	Interest	Total
Year Ending June 30			
2009	\$ 3,975,000	\$ 2,019,047	\$ 5,994,047
2010	4,135,000	1,858,725	5,993,725
2011	4,310,000	1,689,540	5,999,540
2012	4,490,000	1,513,678	6,003,678
2013	4,675,000	1,328,252	6,003,252
2014 through 2018	24,530,000	3,624,305	28,154,305
2019 through 2021	3,545,000	232,400	3,777,400
	\$ 49,660,000	\$ 12,265,947	\$ 61,925,947

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, 2008, \$15,170,000 of bonds outstanding are considered defeased. The University was in compliance with all applicable bond covenants as of June 30, 2008.

NOTES TO FINANCIAL STATEMENTS

The University reported principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 2008:

Principal Retirements and Interest Expenses

Bond Type	Principal	Interest
General obligation bonds	\$ 3,815,000	\$ 2,157,998
Plant improvement refunding bonds	720,000	132,000
Revenue bonds	4,185,000	3,015,749
Athletic facilities revenue bonds	1,490,000	1,584,565
	\$ 10,210,000	\$ 6,890,312

Arbitrage Liability Accrual

Arbitrage liability for the General Obligation Bonds, Series 2007B is \$39,484. Ninety percent of the liability is required to be rebated to the federal government no later than 60 days after April 19, 2012.

Notes Payable

At June 30, 2008, notes payable consisted of the following:

Notes Payable

	Interest	Maturity	Amount
CU Foundation (CUF) Note dated 6/30/03	6.000%	6/30/2009	\$ 144,569
SC Energy Office Note dated 7/1/03	1.000%	7/1/2013	299,574
Banc of America Leasing Note dated 7/18/05	5.420%	7/18/2012	1,432,358
Total			\$ 1,876,501

The note payable dated June 30, 2003 is with the Clemson University Foundation (CUF). Proceeds were used to construct a new building at the Apparel Research Facility.

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

The aggregate debt service payments due on the notes payable at June 30, 2008 are as follows:

Debt Service - Notes Payable

	Principal	Interest	Total
Year Ending June 30			
2009	\$ 482,436	\$ 83,375	\$ 565,811
2010	354,255	60,449	414,704
2011	371,522	43,182	414,704
2012	389,716	24,988	414,704
2013	227,386	5,816	233,202
2014	51,186	515	51,701
	\$ 1,876,501	\$ 218,325	\$ 2,094,826

Total principal paid on notes payable was \$458,582 for the year ended June 30, 2008. Total interest expense for notes payable was \$100,049.

NOTES TO FINANCIAL STATEMENTS

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, 2008, were as follows:

Capital and Operating Lease Commitments		
	Capital Leases	Operating Leases
Year Ending June 30:		
2009	\$ 528,750	\$ 913,384
2010	528,750	510,904
2011	481,250	90,805
Total minimum lease payments	1,538,750	\$ 1,515,093
Less: Interest	195,708	
Less: Executory costs	58,333	
Principal outstanding - Clemson University	\$ 1,284,709	

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2008 and 2011. Expenditures for fiscal year 2008 were \$806,816 of which \$142,137 represented interest and \$29,338 represented executory costs. Total principal paid on capital leases was \$635,341 for the fiscal year ended June 30, 2008. Interest rates range from 7.33 percent to 7.58 percent.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2008:

Assets Held Under Capital Lease			
	Value at Lease Inception	Accumulated Depreciation	Net
Buildings	\$ 5,186,862	\$ 3,024,944	\$ 2,161,918
Equipment	16,206	4,862	11,344
Totals	\$ 5,203,068	\$ 3,029,806	\$ 2,173,262

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 one capital lease 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, 2008 on this capital lease is \$1,277,535. In September 2005, the University entered into a capital lease of \$16,206 at 7.33 percent for equipment whereby the University leases the equipment for a five year period that began in September 2005, and expires September 2010. The University has the option to purchase the equipment for the payment of \$1.00 at the expiration of the lease. The outstanding liability at June 30, 2008 for this capital lease was \$7,174.

Operating Leases

The University's noncancellable operating leases having

remaining terms of more than one year expire in various fiscal years from 2008 through 2011. 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, 2010. Under this agreement, the University paid CURF \$120,799 in the current year.

In 2000, the University entered into a real property operating lease with CURF, a component unit, for office space. Under this agreement, the University paid CURF \$29,179 in the current year.

NOTES TO FINANCIAL STATEMENTS

In 2001, the University entered into a real property operating lease with CURF, a component unit, for office space. The current lease extends through April, 2009. Under this agreement, the University paid CURF \$12,025 in the current year.

Noncancellable operating lease expenditures in 2008 were \$1,011,224 for real property and \$204,336 for information technology 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 \$705,506 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, P.O. Box 11960, 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. Participants are considered retired during the TERI period, they do make SCRS contributions, do not earn service credit, and are eligible to receive group life insurance benefits, but not eligible for disability retirement benefits. Effective July 1, 2006 TERI participants are required to pay the same pre-tax contribution to the SCRS during the TERI period.

From July 1, 1988 – June 30, 2005 employees participating in the SCRS were required to contribute 6 percent of eligible compensation. Effective July 1, 2006 the employee contribution rate increased to 6.50 percent of eligible compensation. Effective July 1, 2007, the employer contribution rate was 12.48 percent which includes a 3.42 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, 2008, 2007 and 2006, were approximately \$14,933,409, \$11,836,277, and \$12,057,713 respectively, and equaled the required contributions of percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$247,242 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

NOTES TO FINANCIAL STATEMENTS

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, 2007, the employer contribution rate became 13.72 percent which, as for the SCRS, included a 3.42 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2008, 2007, and 2006 were approximately \$241,876, \$292,636, and \$226,847 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 \$4,697 and accidental death insurance contributions of \$4,697 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.

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 available to all employees who meet eligibility requirements for membership in the SCRS. Election into either SCRS or ORP must be made within their first thirty (30) days of employment. A State ORP participant may irrevocably elect to join the SCRS during any open enrollment period (January 1 – March 31) 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. 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.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.06 percent plus the retiree surcharge of 3.42 from the employer in fiscal year 2008.

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 \$2,847,609 (excluding the surcharge) from the University as employer and \$6,149,136 from its employees as plan members. Employee contributions of 6.50 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. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides post-employment health and dental and long-term disability benefits to retired State and school district employees

NOTES TO FINANCIAL STATEMENTS

and their covered dependents. Clemson University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit post-employment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.42% and 3.35% of annual covered payroll for 2008 and 2007, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. Clemson University paid approximately \$9,456,017 and \$8,088,781 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2008 and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local

governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2008 and 2007.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

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), 457 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.

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NOTE 11. LONG-TERM LIABILITIES

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

Long-Term Liabilities	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Bonds payable, notes payable and capital lease obligations:					
General obligation bonds	\$ 53,475,000	\$ —	\$ 3,815,000	\$ 49,660,000	\$ 3,975,000
Plant improvement bonds	3,080,000	—	720,000	2,360,000	750,000
Revenue bonds	60,060,000	—	4,185,000	55,875,000	4,385,000
Athletic facilities revenue bonds	36,465,000	—	1,490,000	34,975,000	1,565,000
Subtotal bonds payable	<u>153,080,000</u>	<u>—</u>	<u>10,210,000</u>	<u>142,870,000</u>	<u>10,675,000</u>
Unamortized revenue bond premium	1,724,538	—	141,137	1,583,401	141,136
Deferred amount on revenue bond refunding	(629,434)	—	(314,718)	(314,716)	(314,716)
Total bonds payable	<u>154,175,104</u>	<u>—</u>	<u>10,036,419</u>	<u>144,138,685</u>	<u>10,501,420</u>
Capital lease obligations	1,920,050	—	635,341	1,284,709	411,608
Notes payable	2,335,083	—	458,582	1,876,501	482,436
Total bonds, notes and capital leases	<u>158,430,237</u>	<u>—</u>	<u>11,130,342</u>	<u>147,299,895</u>	<u>11,395,464</u>
Other liabilities:					
Accrued compensated absences	21,056,000	14,731,591	13,352,591	22,435,000	14,424,918
Funds held for others	8,068,325	268,629	940,497	7,396,457	—
Arbitrage payable	—	39,484	—	39,484	—
Total other liabilities	<u>29,124,325</u>	<u>15,039,704</u>	<u>14,293,088</u>	<u>29,870,941</u>	<u>14,424,918</u>
Total long-term liabilities	<u>\$ 187,554,562</u>	<u>\$ 15,039,704</u>	<u>\$ 25,423,430</u>	<u>\$ 177,170,836</u>	<u>\$ 25,820,382</u>

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 \$228,916,669. The \$228,916,669 includes estimated costs of \$93,770,117 for capital projects currently in progress plus \$135,146,552 estimated costs for other capital projects already in service. Of the total estimated cost, \$78,196,058, was unexpended at June 30, 2008. Of the total expended through June 30, 2008, the University has capitalized substantially complete and in use projects in the amount of \$43,123,329. Of the unexpended balance the University has remaining commitment balances of \$27,874,446 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of June 30, 2008 was \$2,339,650.

NOTES TO FINANCIAL STATEMENTS

Capital projects at June 30, 2008 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
9807	Academic success center	\$ 3,010,000	\$ 1,113,364
9538	Baruch lab/office building	5,610,000	4,140,198
9542	Baruch temporary living quarters	400,000	16,110
9878	Bioengineering research center	3,500,000	8,783
9871	Bio/life sciences building	6,000,000	2,181,999
9774	Charleston architecture building	6,891,388	151,853
9863	Chilled water system improvement	8,500,000	7,621,859
9884	Dining hall/Post office	600,000	3,672
9541	Edisto peanut lab	300,000	25,956
9874	Fernow street cafe renovation	1,232,223	64,203
9883	Innovation center construction	6,000,000	94,686
9870	IT facility construction	1,000,000	164,043
9885	Kingsmore baseball stadium addition	3,000,000	15,706
0731	Landscape mechanic shop	250,000	116,507
9867	Memorial stadium WEZ II	16,151,061	2,272,518
9864	North Charleston property acquisition	10,420,000	272,558
0783	Parking storage building	219,445	148,428
9812	President's park rotunda	825,000	316,387
9839	Residence hall construction	461,000	433,206
9865	Rhodes hall annex	11,500,000	2,603,875
9532	Sandhill research and education center office/lab building	6,900,000	3,524,535
9544	Turfgrass PGM facility	1,000,000	5,000
		<u>\$ 93,770,117</u>	<u>\$ 25,295,446</u>

The amount expended includes only capitalized project expenses and capitalized interest on construction debt for projects less than 95% complete and not in service at June 30, 2008. No noncapitalized expenditures are included in these totals.

Non-Capitalized

At June 30, 2008 the University had in progress other capital projects which will not be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total \$31,192,088. This amount includes costs incurred to date of \$22,036,546 and estimated costs to complete of \$9,155,542. The University has remaining commitment balances with certain parties related to these projects of \$2,190,038. Retainages payable on the non-capitalized projects as of June 30, 2008, was \$300,521. 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.

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 service 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

NOTES TO FINANCIAL STATEMENTS

hotel components of the Clemson University Continuing Education and Conference Complex. The Finance Corporation's actions are governed by its Board of Directors. The Finance Corporation reimbursed the University \$207,353 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 and Building (CAFDB) is a separately chartered eleemosynary corporation established to support and enrich the professional programs in the College of Architecture, Arts and Humanities. CAFDB's actions are governed by its Board of Trustees.

The University's financial statements reflect \$531,033 in expenses to reimburse CAFDB for administrative and educational expenses incurred at the Charles E. Daniel Center for Building Research and Urban Studies in Genoa, Italy, which is owned by CAFDB, and at the Barcelona facility, which is operated for the University by CAFDB.

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 2007-08 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, 2008:

State Appropriations	Educational and General	Public Service	Total
Original appropriation	\$ 101,738,718	\$ 50,619,437	\$ 152,358,155
State raise pay plan appropriation	3,244,173	1,252,551	4,496,724
Employer contribution health insurance allocation	638,212	255,045	893,257
Recurring appropriations - H.3620:			
Clemson University International Center for Automotive Research	2,000,000	—	2,000,000
Call Me Mister Program	1,300,000	—	1,300,000
Municipal services	931,747	—	931,747
Center for Optical Materials, Science, Engineering and Technology	900,000	—	900,000
Films and fibers	814,749	—	814,749
Engineering research	791,272	—	791,272
Wireless center	500,000	—	500,000
Proviso 73.12 - Unobligated FY 2006-07 General Fund Revenues:			
Light Rail	1,500,000	—	1,500,000
Deferred maintenance	105,000	—	105,000
Spartanburg Humane Society	—	100,000	100,000
Proviso 73.15 - Subfund 43A8 Transfer:			
Edisto Research and Education Center	—	200,000	200,000
Appropriation allocations from the State Commission on Higher Education:			
For Academic Endowment Match	93,585	—	93,585
For Clemson Agriculture Education Teachers - teacher recruitment	—	419,228	419,228
For Nursing Faculty Salary Supplements	63,470	—	63,470
Appropriation transfer to the Medical University of South Carolina (MUSC) for: Agromedicine	—	(243,123)	(243,123)
Total state appropriation revenues	\$ 114,620,926	\$ 52,603,138	\$ 167,224,064

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.

NOTES TO FINANCIAL STATEMENTS

Following is a summary of amounts received from State agencies for scholarships, sponsored research, capital and public service projects for the fiscal year ended June 30, 2008:

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	\$ 22,090,822	\$ —	\$ —	\$ 22,090,822
Palmetto Scholarships	14,503,444	—	—	14,503,444
Need-Based Grants	2,078,754	—	—	2,078,754
HOPE Scholarships	68,600	—	—	68,600
University Center	1,539,330	—	—	1,539,330
Access and Equity Competitive Grants	—	69,202	—	69,202
Education and Economic Development Act Grant	—	30,000	—	30,000
SC Experimental Programs to Stimulate Competitive Research	—	664,570	—	664,570
SC Manufacturing Extension Partnership	—	90,000	—	90,000
SC Alliance for Minority Participation	—	110,735	—	110,735
Centers of Excellence	—	2,562	—	2,562
Received from the Department of Education	1,420,174	—	—	1,420,174
Received from Department of Health & Environmental Control	555,786	—	—	555,786
Received from various other state agencies	1,156,673	—	—	1,156,673
State lottery funding for permanent endowments	—	—	5,821,117	5,821,117
Proviso 73.12 - Agribusiness, Biotech, Genetics	—	—	3,600,000	3,600,000
Capital reserve fund proceeds	—	—	3,488,049	3,488,049
Capital improvement bond revenues	—	—	2,573,429	2,573,429
Research infrastructure bond proceeds	—	—	8,930,519	8,930,519
Economic development bond revenues	—	—	908,361	908,361
	<u>\$ 43,413,583</u>	<u>\$ 967,069</u>	<u>\$ 25,321,475</u>	<u>\$ 69,702,127</u>

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 \$10,702,822, comprised of \$4,951,016 in fees for computer services classified as other operating revenues, and \$5,751,806 in information and systems development fees classified as sales and services of auxiliary enterprises.

Also, the University collected and remitted \$34,377 in pesticide penalties and other 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 2008 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.

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:

NOTES TO FINANCIAL STATEMENTS

- (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 Administrative Officer and Chief

Financial Officer are each covered for \$250,000 under specific public official bonds, and the postmaster is covered under a performance bond for \$75,000. The Chief Administrative Officer, Chief Financial Officer, Director of Accounting for Related Organizations, Director of University Revenues and Receivables, Chief Executive Officer of the Clemson University Foundation and Treasurer of the Clemson University Foundation are each covered under a \$2,000,000 bond.

The University has recorded insurance premium expenses and expenses for deductibles in applicable functional expense 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, 2008, based on the requirements of GASB Statement's 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, 2008, 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 2008 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, 2008 are summarized as follows:

Operating Expenses by Function						
	Compensation and Employee Benefits	Services and Supplies	Utilities	Depreciation	Scholarships and Fellowships	Total
Instruction	\$ 149,663,003	\$ 24,958,853	\$ 1,059,732	\$ —	\$ 484,177	\$ 176,165,765
Research	84,892,180	40,176,910	1,827,506	—	530,917	127,427,513
Public Service	48,088,577	23,088,900	1,468,584	—	2,438	72,648,499
Academic Support	29,819,359	7,285,743	1,541,448	—	—	38,646,550
Student Services	18,126,283	8,688,298	328,560	—	7,074	27,150,215
Institutional Support	24,350,034	7,257,425	343,855	—	—	31,951,314
Operation and Maintenance of Plant	18,147,699	24,014,986	6,663,445	—	—	48,826,130
Scholarships and Fellowships	15,412	169,405	—	—	9,820,712	10,005,529
Auxiliary Services	29,498,127	39,001,362	4,718,155	—	—	73,217,644
Depreciation	—	—	—	32,697,466	—	32,697,466
	<u>\$ 402,600,674</u>	<u>\$ 174,641,882</u>	<u>\$ 17,951,285</u>	<u>\$ 32,697,466</u>	<u>\$ 10,845,318</u>	<u>\$ 638,736,625</u>

**NOTE 18.
DONOR-RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expense 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 expenses are based on the endowment carrying value from the previous year at a percentage set by the Board. For fiscal year 2008, this rate was 4.0%. At June 30, 2008, net appreciation of \$4,147,247 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	\$ 46,847,069
University administered loans	92,805
Payment of maturing debt	8,844,433
Bond proceeds and other amounts restricted for capital projects	39,627,605
Funds held for others	654,445
	<u>\$ 96,066,357</u>
Noncurrent:	
Cash and cash equivalents:	
Endowments	\$ 18,930,889
Federal Perkins Loan Program	163,651
	<u>\$ 19,094,540</u>
Student Loans Receivable:	
Federal Perkins Loan Program	\$ 8,709,350
	<u>\$ 8,709,350</u>

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			
	2008	2007	Increase/ (Decrease)
Charges for services	\$ 400,957,744	\$ 372,765,349	\$ 28,192,395
Operating grants and contributions	81,025,128	105,944,089	(24,918,961)
Capital grants and contributions	3,998,244	25,563,237	(21,564,993)
Less: expenses	<u>(646,761,620)</u>	<u>(576,272,673)</u>	<u>(70,488,947)</u>
Net program revenue (expense)	<u>(160,780,504)</u>	<u>(71,999,998)</u>	<u>(88,780,506)</u>
General revenues:			
Contributions to permanent endowments	5,898,217	1,838,852	4,059,365
Transfers:			
State appropriations	167,224,064	150,334,988	16,889,076
State capital appropriations	3,488,049	288,997	3,199,052
Proviso 73.12 supplemental capital appropriations	3,600,000	—	3,600,000
Capital improvement bond proceeds	2,573,429	391,688	2,181,741
Economic development bond proceeds	908,361	16,210,537	(15,302,176)
Research infrastructure bond proceeds	8,930,519	27,257,282	(18,326,763)
Less: transfers out to state agencies/funds	<u>(709,861)</u>	<u>(643,850)</u>	<u>(66,011)</u>
Total general revenue and transfers	<u>191,912,778</u>	<u>195,678,494</u>	<u>(3,765,716)</u>
Change in net assets	31,132,274	123,678,496	(92,546,222)
Net assets - beginning	689,937,921	566,259,425	123,678,496
Net assets - ending	<u>\$ 721,070,195</u>	<u>\$ 689,937,921</u>	<u>\$ 31,132,274</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 discretely presented 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 2008 were recorded by the University as nonoperating gift revenues totaling \$9,757,693. CUF also reimbursed the University \$744,402 for salaries for time devoted by University employees to CUF and to fund other University initiatives.

Equipment donated by CUF to the University totaled \$23,189 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 \$1,180,524 for University building projects. As of June 30, 2008, CUF had remaining commitments of approximately \$6,466,000 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 \$115,733,085.

CUF charges an annual fee of 0.65 percent for managing the University's endowments. For the fiscal year ending June 30, 2008, the management fee was \$659,822, net of current year income, gains and appreciation losses of \$7,853,361. At fiscal year end, \$160,779 in accounts payable was due to CUF.

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

NOTES TO FINANCIAL STATEMENTS

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.

A summary of investments at fair value at June 30, 2008 follows:

Investments	
U.S. Government obligations	\$ 33,436,125
Auction rate certificates - student loan backed	1,228,500
Corporate bonds	3,812,853
Global bonds	1,173,064
U.S. Equities	189,577,960
Global equities	86,152,275
Hedge funds	29,586,594
Private equity	7,892,772
Real estate	9,287,391
Money market funds	22,641,488
Other	1,578,301
Subtotal - marketable investments	386,367,323
Subordinated note receivable from the Clemson University Real Estate Foundation	20,000,000
	<u>\$ 406,367,323</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 \$3,977,111 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 include \$74,541 due from CURF at June 30, 2008.

Also, the University made \$76,317 in capital lease payments to CURF for lease of a building and land and \$162,003 in operating lease payments for office space. CURF reimbursed the University \$201,967 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 1998, 2000, 2003 AND 2005)
For the year ended June 30, 2008

	Dining Services	Vending Operations	Bookstore	Parking Services	Housing	Total
Revenues:						
Student meal plans	\$ 11,744,627	\$ —	\$ —	\$ —	\$ —	\$ 11,744,627
Food service commissions	1,439,676	—	—	—	—	1,439,676
Other	—	—	—	—	148,677	148,677
Residence halls	—	—	—	—	22,652,806	22,652,806
Campus vending machines	—	500,670	—	—	—	500,670
ATM rental	—	89,555	—	—	—	89,555
Contract revenue	—	327,183	1,559,693	120,686	210,000	2,217,562
Parking permits	—	—	—	1,928,548	—	1,928,548
Transit fees	—	—	—	966,375	—	966,375
Parking citations	—	—	—	751,001	—	751,001
Investment income	148,768	107,114	72,375	61,737	213,234	603,228
Total revenues	\$ 13,333,071	\$ 1,024,522	\$ 1,632,068	\$ 3,828,347	\$ 23,224,717	\$ 43,042,725
Expenses:						
Salaries	111,632	22,018	59,268	369,461	4,687,071	5,249,450
Fringe benefits	33,769	6,664	17,891	92,568	1,155,855	1,306,747
Travel	9,653	—	1,165	19,986	52,660	83,464
Contractual services	8,839,196	—	—	1,726,603	663,593	11,229,392
Repairs	249,499	2,863	2,220	63,573	382,592	700,747
Telecommunications	3,209	1,964	—	4,422	712,562	722,157
Heat, light, and power	601,231	12,703	10,737	777	1,793,091	2,418,539
Water, sewer and garbage	72,705	—	—	—	319,317	392,022
Rents	108,786	—	—	56,525	25,071	190,382
Supplies and materials	156,717	—	(637)	32,667	780,324	969,071
Insurance	15,715	230	—	2,564	193,433	211,942
University debit card fees	312,213	42,956	—	2,670	82,045	439,884
Cable television	—	—	—	—	280,927	280,927
Security	—	—	—	—	516,193	516,193
Other operating expenses	525,022	36,120	40,612	624,070	905,680	2,131,504
Capital outlay	5,797	—	—	—	64,416	70,213
Total expenses	11,045,144	125,518	131,256	2,995,886	12,614,830	26,912,634
Net revenues	\$ 2,287,927	\$ 899,004	\$ 1,500,812	\$ 832,461	\$ 10,609,887	\$ 16,130,091

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
ATHLETIC FACILITIES REVENUE BONDS (SERIES 2001, 2003 AND 2005)
For the year ended June 30, 2008

	Football	Basketball	Other Sports	NonProgram Specific	Total
Revenues:					
Ticket sales	\$ 19,346,167	\$ 1,335,122	\$ 416,221	\$ —	\$ 21,097,510
Student fees	1,387,067	114,149	—	—	1,501,216
Away game sales and guarantees	1,095,944	315,707	2,500	—	1,414,151
Contributions	2,107,746	785,260	2,768,572	4,019,998	9,681,576
Third-party support	623,000	273,000	37,500	—	933,500
Direct institutional support	660,503	280,255	1,310,550	183,960	2,435,268
NCAA/Conference distributions including tournament revenues	6,396,316	3,895,947	—	53,929	10,346,192
Broadcast, television, radio and internet rights	—	—	—	777,500	777,500
Program sales, concessions, novelty sales and parking	1,568,482	94,012	49,092	1,380,616	3,092,202
Royalties, advertisements and sponsorships	130,000	—	—	2,012,626	2,142,626
Endowment and investment income	—	—	—	799,477	799,477
Other	330,405	58,216	22,500	508,027	919,148
Total operating revenues	34,254,008	7,151,668	4,606,935	9,736,133	55,140,366
Expenses:					
Athletic student aid	2,680,340	904,639	3,992,589	1,160,121	8,737,689
Guarantees	1,977,500	443,533	23,658	—	2,444,691
Coaching salaries, benefits and bonuses paid by the institution and related entities	3,142,367	3,826,700	2,850,537	—	9,819,604
Coaching other compensation and benefits paid by a third party	623,000	273,000	37,500	—	933,500
Support staff/administrative salaries, benefits and bonuses paid by the institution and related entities	616,304	255,417	83,966	5,923,594	6,879,281
Recruiting	387,602	219,535	274,128	—	881,265
Team travel	1,254,081	932,677	1,007,038	203,670	3,397,466
Equipment, uniforms and supplies	555,075	131,842	373,884	179,326	1,240,127
Game expenses	1,918,340	367,387	265,054	—	2,550,781
Fund raising, marketing and promotion	—	—	—	319,370	319,370
Direct facilities, maintenance and rental	107,323	15,873	7,916	1,670,654	1,801,766
Indirect facilities and administrative support	—	—	—	991,104	991,104
Other operating expenses	1,620,414	557,856	567,354	5,713,465	8,459,089
Total operating expenditures	14,882,346	7,928,459	9,483,624	16,161,304	48,455,733
Net Revenues	\$ 18,763,284	\$ (776,791)	\$ (4,876,689)	\$ (6,425,171)	\$ 6,684,633



Statistical Section
(unaudited)

Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements and note disclosures says about the University's and the State of South Carolina's overall financial health.

CONTENTS	Page
Financial Trends	64
These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.	
Debt Capacity	69
These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue additional debt in the future.	
Operating Information	72
These schedules contain service and capital asset data to help the reader understand how the information in the University's financial report relates to the services the University provides and the activities it performs.	
Demographic and Economic Information	78
These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's and the State's financial activities take place.	

SCHEDULE OF REVENUES BY SOURCE

For the Fiscal Year
(amounts expressed in thousands)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Revenues:								
Student tuition and fees(net of scholarship allowances)	\$ 188,530	\$ 176,240	\$ 166,912	\$ 149,405	\$ 131,049	\$ 111,346	\$ 97,269	\$ 85,753
Federal grants and contracts	61,611	57,203	59,589	58,488	63,438	62,687	51,222	43,783
State grants and contracts	43,414	35,947	36,181	35,052	31,451	29,158	19,885	20,090
Local grants and contracts	799	851	1,311	1,678	1,136	1,319	1,103	837
Nongovernmental grants and contracts	11,177	11,138	9,435	9,800	9,742	10,140	8,656	7,100
Sales and services of educational and other activities	16,268	14,027	14,351	13,646	11,596	9,675	9,481	7,757
Sales and services of auxiliary enterprises (net of scholarship allowances)	79,159	77,359	71,774	65,443	63,585	60,049	58,158	59,647
Other operating revenues	25,013	19,206	16,438	14,496	14,263	13,204	12,156	11,310
Total operating revenues	<u>425,971</u>	<u>391,971</u>	<u>375,991</u>	<u>348,008</u>	<u>326,260</u>	<u>297,578</u>	<u>257,930</u>	<u>236,277</u>
State appropriations	167,224	150,335	134,678	126,589	126,020	139,615	155,453	165,918
Federal appropriations	14,186	9,667	11,338	10,986	10,339	11,492	9,772	16,260
Gifts	39,020	34,413	31,381	28,686	24,295	23,232	26,892	30,318
Interest income	8,462	6,585	3,340	5,102	4,916	7,587	7,405	8,048
Endowment income	(7,046)	16,003	7,804	6,252	6,769	2,563	(1,788)	(439)
Other nonoperating revenues	1,389	753	483	657	991	1,490	1,423	519
Proceeds from the sale of land	—	20,061	—	5,029	—	—	14,016	—
Total nonoperating revenues	<u>223,235</u>	<u>237,817</u>	<u>189,024</u>	<u>183,301</u>	<u>173,330</u>	<u>185,979</u>	<u>213,173</u>	<u>220,624</u>
Total revenues	<u>\$ 649,206</u>	<u>\$ 629,788</u>	<u>\$ 565,015</u>	<u>\$ 531,309</u>	<u>\$ 499,590</u>	<u>\$ 483,557</u>	<u>\$ 471,103</u>	<u>\$ 456,901</u>

For the Fiscal Year
(percent of total income)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Revenues:								
Student tuition and fees (net of scholarship allowances)	29.0%	28.0%	29.5%	28.1%	26.2%	23.0%	20.6%	18.8%
Federal grants and contracts	9.5%	9.1%	10.5%	11.0%	12.7%	13.0%	10.9%	9.6%
State grants and contracts	6.7%	5.7%	6.4%	6.6%	6.3%	6.0%	4.2%	4.4%
Local grants and contracts	0.1%	0.1%	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%
Nongovernmental grants and contracts	1.7%	1.8%	1.7%	1.8%	1.9%	2.1%	1.8%	1.6%
Sales and services of educational and other activities	2.5%	2.2%	2.5%	2.6%	2.3%	2.0%	2.0%	1.7%
Sales and services of auxiliary enterprises (net of scholarship allowances)	12.2%	12.4%	12.7%	12.3%	12.7%	12.4%	12.3%	13.1%
Other operating revenues	3.9%	3.0%	2.9%	2.8%	2.9%	2.7%	2.7%	2.4%
Total operating revenues	65.6%	62.3%	66.4%	65.5%	65.2%	61.5%	54.7%	51.8%
State appropriations	25.8%	23.9%	23.8%	23.8%	25.2%	28.9%	33.0%	36.2%
Federal appropriations	2.2%	1.5%	2.1%	2.1%	2.1%	2.4%	2.1%	3.6%
Gifts	6.0%	5.5%	5.6%	5.4%	4.9%	4.8%	5.7%	6.6%
Interest income	1.3%	1.0%	0.6%	1.0%	1.0%	1.6%	1.6%	1.8%
Endowment income	(1.1%)	2.5%	1.4%	1.2%	1.4%	0.5%	(0.4%)	(0.1%)
Other nonoperating revenues	0.2%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%	0.1%
Proceeds from the sale of land	0.0%	3.2%	0.0%	0.9%	0.0%	0.0%	3.0%	0.0%
Total nonoperating revenues	34.4%	37.7%	33.6%	34.5%	34.8%	38.5%	45.3%	48.2%
Total revenues	100.0%	100.0%	100.0%	100.0%	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 2000-01 through 2007-08 is available.
Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF EXPENSES BY USE

For the Fiscal Year
(amounts expressed in thousands)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Expenses:								
Compensation and employee benefits	\$402,601	\$ 366,732	\$ 341,740	\$ 314,270	\$ 298,717	\$ 304,259	\$ 292,247	\$ 271,332
Services and supplies	174,642	148,409	140,594	134,961	130,586	124,100	108,322	113,665
Utilities	17,951	16,483	13,884	12,032	12,103	11,542	12,006	11,198
Depreciation	32,697	29,946	25,829	24,474	23,323	22,359	19,158	18,694
Scholarships and fellowships	10,845	6,794	6,319	8,115	9,962	10,238	9,090	9,268
Total operating expenses	<u>638,736</u>	<u>568,364</u>	<u>528,366</u>	<u>493,852</u>	<u>474,691</u>	<u>472,498</u>	<u>440,823</u>	<u>424,157</u>
Interest on capital asset related debt	7,196	7,211	7,014	6,743	6,794	5,321	4,300	3,979
Loss on disposal of capital assets	443	744	686	553	1,205	1,094	1,396	1,226
Refunds to grantors	386	697	182	256	100	335	289	340
F & A remittance to the State	710	644	347	198	299	549	418	359
Total nonoperating expenses	<u>8,735</u>	<u>9,296</u>	<u>8,229</u>	<u>7,750</u>	<u>8,398</u>	<u>7,299</u>	<u>6,403</u>	<u>5,904</u>
Total expenses	<u>\$647,471</u>	<u>\$ 577,660</u>	<u>\$ 536,595</u>	<u>\$ 501,602</u>	<u>\$ 483,089</u>	<u>\$ 479,797</u>	<u>\$ 447,226</u>	<u>\$ 430,061</u>

For the Fiscal Year
(percent of total income)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Expenses:								
Compensation and employee benefits	62.2%	63.5%	63.7%	62.7%	61.9%	63.4%	65.3%	63.1%
Services and supplies	27.0%	25.7%	26.2%	26.9%	27.0%	25.9%	24.2%	26.4%
Utilities	2.8%	2.9%	2.6%	2.4%	2.5%	2.4%	2.7%	2.6%
Depreciation	5.0%	5.2%	4.8%	4.9%	4.8%	4.7%	4.3%	4.3%
Scholarships and fellowships	1.6%	1.2%	1.2%	1.6%	2.1%	2.1%	2.0%	2.2%
Total operating expenses	<u>98.6%</u>	<u>98.5%</u>	<u>98.5%</u>	<u>98.5%</u>	<u>98.3%</u>	<u>98.5%</u>	<u>98.5%</u>	<u>98.6%</u>
Interest on capital asset related debt	1.1%	1.2%	1.3%	1.3%	1.4%	1.1%	1.0%	0.9%
Loss on disposal of capital assets	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%
Refunds to grantors	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%
F & A remittances to the State	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
Total nonoperating expenses	<u>1.4%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.7%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.4%</u>
Total expenses	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Note: Due to reporting format and definition changes prescribed by Governmental Standards No. 34 and 35, only information for fiscal year 2000-01 through 2007-08 is available.

Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF EXPENSES BY FUNCTION

For the Fiscal Year
(amounts expressed in thousands)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Expenses:								
Instruction	\$ 176,165	\$ 159,318	\$ 144,342	\$ 131,830	\$ 121,968	\$ 119,546	\$ 114,357	\$ 107,677
Research	127,427	112,141	106,608	104,580	104,510	101,788	93,953	87,659
Public service	72,649	60,951	56,912	52,772	51,496	57,502	56,508	56,571
Academic support	38,647	43,104	38,200	34,469	28,484	31,367	28,811	22,749
Student services	27,150	23,607	20,899	19,208	18,868	17,842	17,614	15,757
Institutional support	31,951	27,039	24,261	20,721	18,843	18,074	17,287	17,983
Operation and maintenance of plant	48,826	36,811	39,057	35,025	36,211	35,880	28,167	28,529
Scholarships and fellowships	10,006	6,165	5,956	7,727	9,626	9,871	8,682	8,894
Auxiliary enterprises	73,218	69,282	66,302	63,046	61,362	58,269	56,286	59,644
Depreciation	32,697	29,946	25,829	24,474	23,323	22,359	19,158	18,694
Interest on capital debt	7,196	7,211	7,014	6,743	6,794	5,321	4,300	3,979
Loss on disposal of capital assets	443	744	686	553	1,205	1,094	1,396	1,226
Refunds to grantors	386	697	182	256	100	335	289	340
F & A remittances to the State	710	644	347	198	299	549	418	359
Total expenses	\$ 647,471	\$ 577,660	\$ 536,595	\$ 501,602	\$ 483,089	\$ 479,797	\$ 447,226	\$ 430,061

For the Fiscal Year
(percent of total income)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Expenses:								
Instruction	27.2%	27.5%	26.9%	26.3%	25.3%	24.9%	25.6%	25.0%
Research	19.7%	19.4%	19.9%	20.9%	21.6%	21.2%	21.0%	20.3%
Public service	11.2%	10.6%	10.6%	10.5%	10.7%	12.0%	12.6%	13.2%
Academic support	6.0%	7.5%	7.1%	6.9%	5.9%	6.5%	6.4%	5.3%
Student services	4.2%	4.1%	3.9%	3.8%	3.9%	3.7%	3.9%	3.7%
Institutional support	4.9%	4.7%	4.5%	4.1%	3.9%	3.8%	3.9%	4.2%
Operation and maintenance of plant	7.5%	6.4%	7.3%	7.0%	7.5%	7.5%	6.3%	6.6%
Scholarships and fellowships	1.6%	1.1%	1.1%	1.5%	2.0%	2.1%	1.9%	2.1%
Auxiliary enterprises	11.3%	12.0%	12.4%	12.6%	12.7%	12.1%	12.6%	13.9%
Depreciation	5.0%	5.2%	4.8%	4.9%	4.8%	4.7%	4.3%	4.3%
Interest on capital debt	1.1%	1.2%	1.3%	1.3%	1.4%	1.1%	1.0%	0.9%
Loss on disposal of capital assets	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%
Refunds to grantors	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%
F & A remittances to State	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
Total Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Due to reporting format and definition changes prescribed by Governmental Standards No. 34 and 35, only information for fiscal year 2000-01 through 2007-08 is available.

Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF NET ASSETS AND CHANGES IN NET ASSETS

For the Fiscal Year

(amounts expressed in thousands)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Total revenues (from schedule of revenues by source)	\$ 649,206	\$ 629,788	\$ 565,015	\$ 531,309	\$ 499,590	\$ 483,557	\$ 471,103	\$ 456,901
Total expenses (from schedule of expenses by use and function)	(647,471)	(577,660)	(536,595)	(501,602)	(483,089)	(479,797)	(447,226)	(430,061)
Income before other revenues, expenses, gains or losses	1,735	52,128	28,420	29,707	16,501	3,760	23,877	26,840
State capital appropriations	19,501	44,149	19,938	12,469	2,543	10,570	12,483	14,687
Capital grants and gifts	3,998	25,563	2,727	7,487	2,568	6,175	1,865	4,354
Additions to permanent endowments	5,898	1,839	7,508	2,170	7,004	20	235	79
Total changes in net assets	31,132	123,679	58,593	51,833	28,616	20,525	38,460	45,960
Net assets, beginning	689,938	566,259	507,666	455,833	427,217	406,692	368,233	322,273
Net Assets, Ending	\$ 721,070	\$ 689,938	\$ 566,259	\$ 507,666	\$ 455,833	\$ 427,217	\$ 406,693	\$ 368,233
Invested in capital assets, net of related debt	\$ 429,669	\$ 390,891	\$ 315,987	\$ 294,089	\$ 248,604	\$ 256,258	\$ 252,576	\$ 221,983
Restricted - expendable	207,042	191,603	132,724	117,212	122,791	109,161	101,223	97,345
Restricted - nonexpendable	33,916	28,291	26,184	18,632	16,347	9,228	9,223	9,201
Unrestricted	50,443	79,153	91,364	77,733	68,091	52,570	43,670	39,704
Total	\$ 721,070	\$ 689,938	\$ 566,259	\$ 507,666	\$ 455,833	\$ 427,217	\$ 406,692	\$ 368,233

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statements No. 34 and 35, only information for fiscal years 2000-01 through 2007-08 is available.
Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

	For the Fiscal Year									
	<i>(amounts expressed in thousands except for outstanding debt per student)</i>									
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
General Obligation Bonds	\$ 49,660	\$ 53,475	\$ 43,655	\$ 46,605	\$ 49,460	\$ 42,465	\$ 9,915	\$ 10,900	\$ 11,830	\$ 12,705
Plant Improvement Bonds	2,360	3,080	3,770	4,435	5,070	5,685	6,275	6,845	7,360	7,845
Revenue Bonds	55,875	61,155	64,981	61,322	63,982	38,475	40,910	43,355	45,695	26,415
Athletic Facilities Revenue Bonds	34,975	36,465	37,685	23,840	24,935	25,975	19,960	20,985	—	—
Stadium Refunding Bonds	—	—	—	—	—	—	—	—	—	1,035
Notes Payable	1,876	2,335	2,771	852	1,048	706	155	202	475	557
Capital Lease Obligations	1,285	1,920	3,143	4,276	5,355	6,369	7,323	8,205	9,034	9,588
Total Outstanding Debt	\$ 146,031	\$ 158,430	\$ 156,005	\$ 141,330	\$ 149,850	\$ 119,675	\$ 84,538	\$ 90,492	\$ 74,394	\$ 58,145
Full-time equivalent students	16,250	16,226	16,044	15,948	15,780	15,620	15,800	16,053	15,685	15,258
Outstanding debt per student	\$ 8,987	\$ 9,764	\$ 9,724	\$ 8,862	\$ 9,496	\$ 7,662	\$ 5,351	\$ 5,637	\$ 4,743	\$ 3,811

Note: Outstanding debt per student calculated using fall semester full-time equivalent student enrollment data for the last ten academic years (page 7x).

Source: Clemson University Comprehensive Annual Financial Reports, Clemson University Office of Institutional Research

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years
(amounts in thousands)

General Obligation Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2008	\$ 15,534	\$ 15,534	\$ 3,815	\$ 2,158	\$ 5,973	2.60
2007	11,941	11,941	4,180	1,876	6,056	1.97
2006	8,733	8,733	2,950	1,836	4,786	1.82
2005	7,120	7,120	2,855	1,932	4,787	1.49
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

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Plant Improvement Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2008	\$ 1,061	\$ 1,061	\$ 720	\$ 132	\$ 852	1.25
2007	985	985	690	162	852	1.16
2006	1,003	1,003	665	190	855	1.17
2005	1,005	1,005	635	216	851	1.18
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
1990	1,114	1,114	485	354	839	1.33
1999	1,160	1,160	390	428	818	1.42

Athletic Facilities Revenue Bonds

Fiscal Year Ended June 30,	Athletic Revenues	Athletic Operating Expenses	Net Athletic Revenues	Admissions Fee	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
						Principal	Interest	Total	
2008	\$ 55,140	\$ 48,455	\$ 6,685	\$ 2,062	\$ 8,747	\$ 1,490	\$ 1,585	\$ 3,075	2.84
2007	51,674	43,364	8,310	2,221	10,531	1,220	1,635	2,855	3.69
2006	42,877	39,059	3,818	2,057	5,875	1,155	1,404	2,559	2.30
2005	36,496	34,479	2,017	1,744	3,761	1,095	1,059	2,154	1.74
2004	36,608	33,907	2,701	1,796	4,497	1,040	1,105	2,145	2.10
2003	34,934	32,084	2,850	1,449	4,299	985	871	1,856	2.32
2002	27,456	24,929	2,527	833	3,360	1,025	823	1,848	1.82
2001	26,261	25,173	1,088	771	1,859	—	—	—	1.00

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Revenue Bonds

Fiscal Year Ended June 30,	Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
2008	\$ 43,043	\$ 26,913	\$ 16,130	\$ 4,185	\$ 3,016	\$ 7,201	2.24
2007	41,597	26,836	14,761	4,000	3,204	7,204	2.05
2006	39,855	26,706	13,149	3,505	3,233	6,738	1.95
2005	38,524	25,354	13,170	2,605	3,126	5,731	2.30
2004	35,444	23,579	11,865	2,555	3,048	5,603	2.12
2003	34,284	22,143	12,141	2,435	2,157	4,592	2.64
2002	32,701	21,941	10,760	2,445	2,290	4,735	2.27
2001	31,370	22,254	9,116	2,340	2,398	4,738	1.92
2000	29,996	21,559	8,437	2,340	1,235	3,575	2.36
1999	27,991	21,143	6,848	2,325	1,339	3,664	1.87

Note: The revenue bonds are secured by revenues from five sources: dining services, vending operations, the university bookstore, student housing and parking.

Source: Clemson University Comprehensive Annual Financial Reports

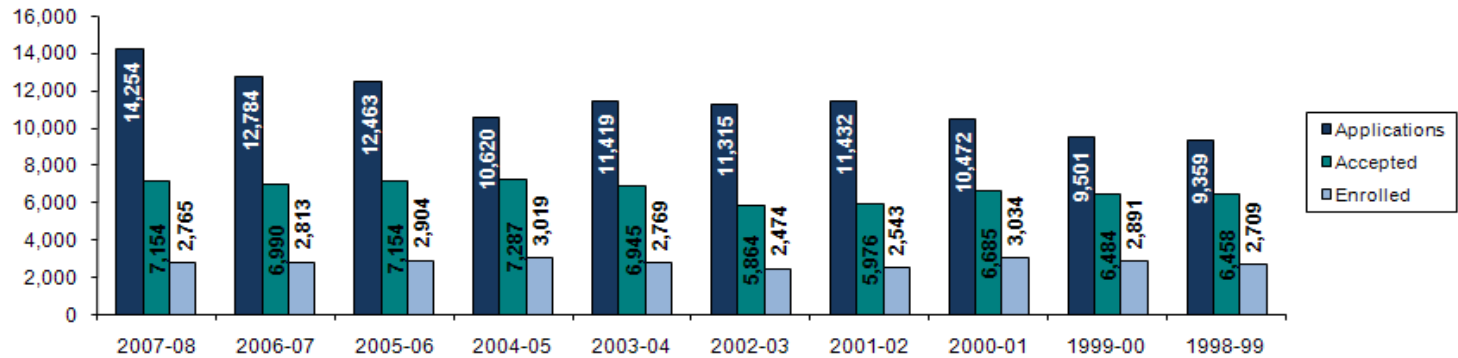
ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Admissions-Freshman										
Accepted as a percentage of applications	50.2%	54.7%	57.4%	68.6%	60.8%	42.2%	52.3%	63.8%	68.2%	69.0%
Enrolled as a										
Percentage of accepted	38.6%	40.2%	40.6%	41.4%	39.8%	51.8%	42.6%	45.4%	44.6%	41.9%
SAT scores-total	1,221	1,217	1,225	1,204	1,204	1,205	1,191	1,172	1,158	1,145
Verbal	595	592	600	589	587	587	584	575	569	564
Math	626	625	625	615	617	618	607	597	589	581
South Carolina average SAT score-total	984	985	993	986	989	981	974	966	954	951

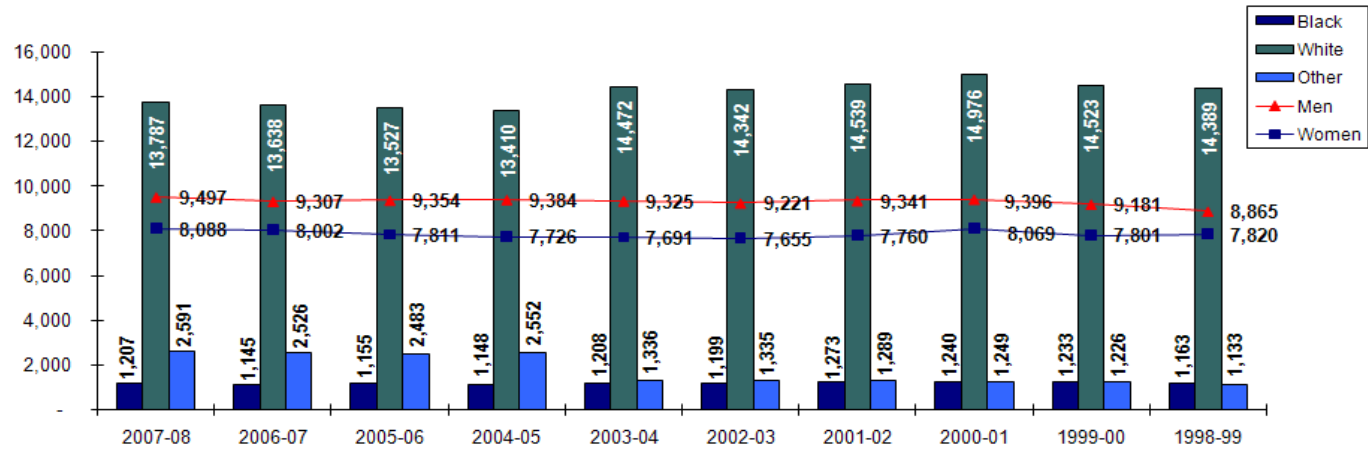
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Admissions —
Freshman
Applied,
Accepted and
Enrolled



	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Enrollment										
Undergraduate and graduate FTE	16,250	16,226	16,043	15,948	15,780	15,620	15,800	16,053	15,685	15,258
Undergraduate and graduate headcount	17,585	17,309	17,165	17,110	17,016	16,876	17,101	17,465	16,982	16,685
Percentage of men	54.0%	53.8%	54.5%	54.8%	54.8%	54.6%	54.6%	53.8%	54.1%	53.1%
Percentage of women	46.0%	46.2%	45.5%	45.2%	45.2%	45.4%	45.4%	46.2%	45.9%	46.8%
Percentage of black	6.9%	6.6%	6.7%	6.7%	7.1%	7.1%	7.4%	7.1%	7.3%	6.9%
Percentage of white	78.4%	78.8%	78.8%	78.4%	85.0%	85.0%	85.0%	85.8%	85.5%	86.2%
Percentage of other	14.7%	14.6%	14.5%	14.9%	7.9%	7.9%	7.6%	7.1%	7.2%	6.7%

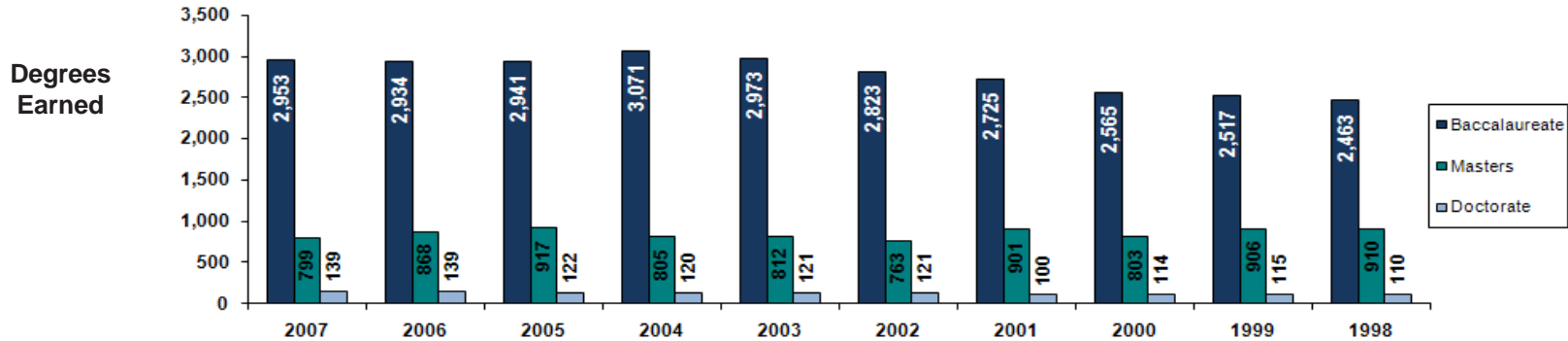
**Enrollment —
Undergraduate and
Graduate Headcount**



Degrees Earned*

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Baccalaureate	2,953	2,934	2,941	3,071	2,973	2,823	2,725	2,565	2,517	2,463
Masters**	799	868	917	805	812	763	901	803	906	910
Doctorate	139	139	122	120	121	121	100	114	115	110

* Includes May and August of the current year and December graduation from the previous year.
 ** Masters awards include specialist degrees.



Source: Clemson University Office of Institutional Research Fact Book (www.clemson.edu/oirweb1/fb/factbook/)

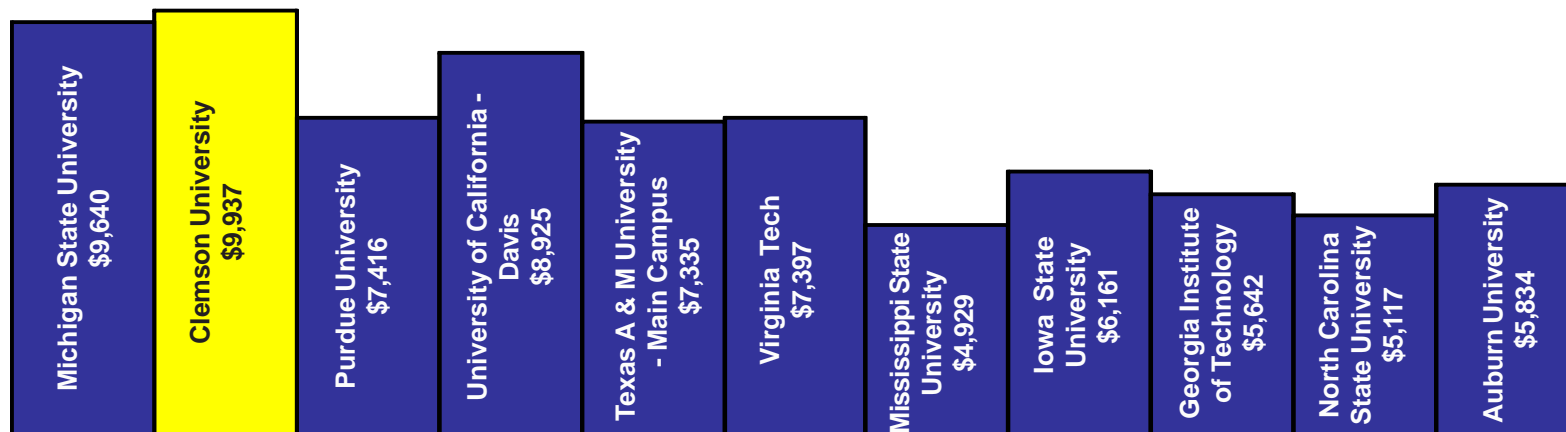
UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

Clemson University in Comparison to Ten Peer Land-Grant Institutions
Last ten fiscal years

Institution - Resident	For the Fiscal Year									
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Michigan State University	\$ 9,640	\$ 8,793	\$ 7,945	\$ 7,000	\$ 6,703	\$ 5,022	\$ 4,632	\$ 4,256	\$ 4,120	\$ 4,032
Clemson University	9,937	9,400	8,816	7,840	6,934	5,834	4,490	3,590	3,470	3,344
Purdue University	7,416	7,096	6,458	6,092	5,860	5,580	4,164	3,872	3,724	3,564
University of California-Davis	8,925	8,323	8,129	7,557	6,438	4,630	4,595	4,072	4,034	4,153
Texas A & M University - Main Campus	7,335	6,966	6,399	5,955	5,051	3,949	3,127	2,809	2,640	2,419
Virginia Tech	7,397	6,973	6,378	5,838	5,095	3,936	3,664	3,640	3,620	4,305
Mississippi State University	4,929	4,596	4,312	3,874	3,874	3,874	3,586	3,117	3,017	3,017
Iowa State University	6,161	6,060	5,634	5,426	5,028	4,110	3,442	3,132	3,004	2,874
Georgia Institute of Technology	5,642	4,926	4,648	4,278	4,076	3,616	3,454	3,308	3,108	2,991
North Carolina State University	5,117	4,783	4,338	4,260	3,970	3,827	3,302	2,814	2,414	2,364
Auburn University	5,834	5,496	5,278	4,828	4,426	3,784	3,260	3,050	2,895	2,760

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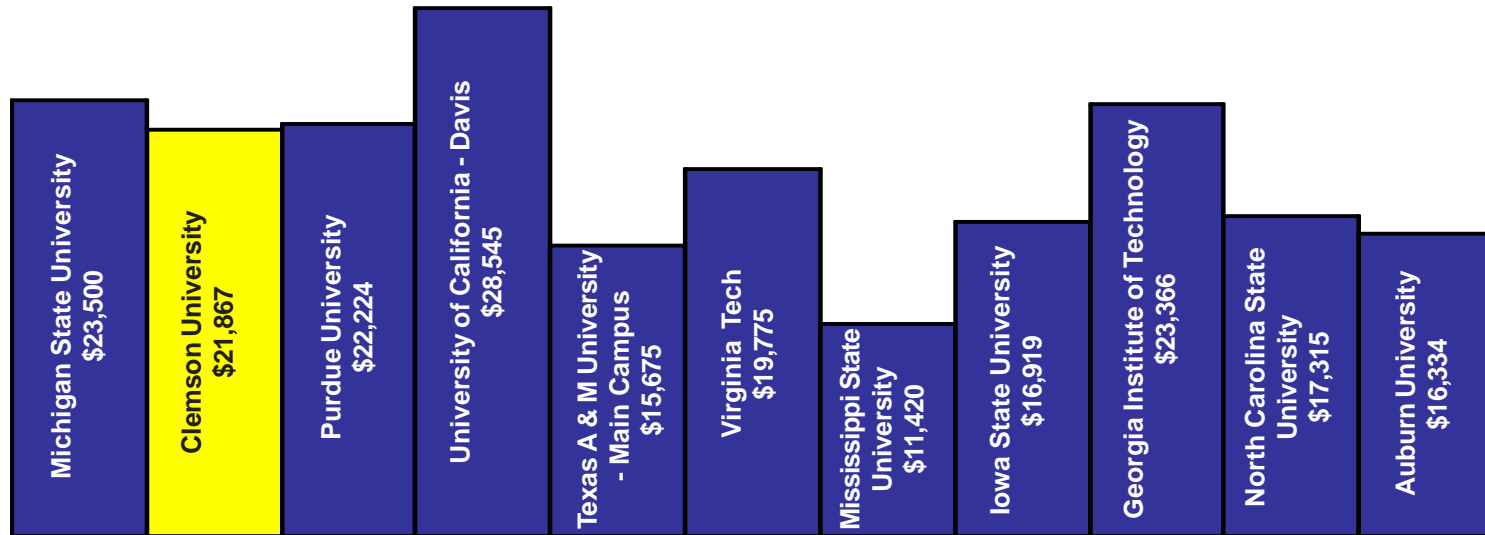
Undergraduate Tuition and Fees - Resident - FY 2007-08



For the Fiscal Year

Institution - Non Resident	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Michigan State University	\$ 23,500	\$ 21,438	\$ 19,697	\$ 17,845	\$ 16,663	\$ 12,276	\$ 11,310	\$ 10,388	\$ 10,042	\$ 9,806
Clemson University	21,867	19,824	18,440	16,404	14,532	12,932	11,284	9,784	9,456	9,100
Purdue University	22,224	21,266	19,824	18,700	17,640	16,260	13,872	12,904	12,348	11,784
University of California-Davis	28,545	27,007	25,949	24,513	20,648	17,009	15,669	14,686	14,208	13,727
Texas A & M University - Main Campus	15,675	15,216	14,679	13,695	12,131	9,181	8,191	7,969	7,824	7,531
Virginia Tech	19,775	19,049	17,837	16,581	15,029	13,552	12,488	12,128	11,844	11,521
Mississippi State University	11,420	10,552	9,772	8,780	8,780	8,780	8,125	7,065	6,119	6,119
Iowa State University	16,919	16,554	15,724	15,128	14,370	12,802	10,776	9,974	9,564	9,152
Georgia Institute of Technology	23,366	20,272	18,990	17,558	16,002	13,986	12,350	10,826	10,350	9,921
North Carolina State University	17,315	16,981	16,536	16,157	15,818	15,111	13,294	11,980	11,580	11,530
Auburn University	16,334	15,496	14,878	14,048	12,886	11,084	9,780	9,150	8,685	8,280

Undergraduate Tuition and Fees - Non Resident - FY 2007-08



These figures are for undergraduate first-time, full-time students with an academic year of 30 semester hours or 45 quarter hours.

Source: University of Wyoming (oia.uwyo.edu/charges)

FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

	For the Fiscal Year									
	<i>(Numbers are based on the October 1st Freeze date from the Clemson University Business System)</i>									
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Faculty										
Part-time	140	146	148	159	156	178	161	184	147	230
Full-time	1,293	1,246	1,175	1,099	1,095	1,088	1,087	1,057	1,055	1,026
Percentage tenured	39.5%	40.6%	44.3%	44.8%	44.2%	44.9%	46.9%	48.5%	52.5%	51.4%
Staff and administrators with faculty rank										
Part-time	200	204	229	227	201	210	206	224	242	260
Full-time	3181	3,062	3,067	2,843	2,817	2,916	2,954	2,944	2,832	2,889
Total employees										
Part-time	340	350	377	386	357	388	367	408	389	490
Full-time	4,474	4,308	4,242	3,942	3,912	4,004	4,041	4,001	3,887	3,915
Students per full-time										
Faculty	13.6	13.9	14.6	15.6	15.5	15.5	15.7	16.7	16.6	16.0
Staff	5.5	5.7	5.6	5.8	5.8	5.5	5.5	5.6	5.9	5.8
Average annual faculty salary*	\$76,639	\$74,045	\$72,854	\$71,652	\$67,446	\$66,262	\$64,118	\$60,048	\$60,282	\$56,188

*Full-time, permanent, instructional in Academic departments (AAUP definition)

Note: Full time includes all regular full time employees and part time includes all part-time and all temporary employees.

Source: Clemson University Office of Institutional Research (www.clemson.edu/oirweb1/fb/factbook/)

SCHEDULE OF CAPITAL ASSET INFORMATION

	For the Fiscal Year							
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Academic buildings:								
Net assignable square feet (in thousands)	1,169,179	1,032,554	1,030,574	991,148	975,674	947,671	957,219	978,267
Administrative and support buildings:								
Net assignable square feet (in thousands)	667,120	802,209	802,492	797,169	809,272	810,782	805,837	800,330
Laboratories:								
Net assignable square feet (in thousands)	715,677	711,254	530,723	562,792	560,962	453,125	537,997	364,645
Auxiliary and independent operations buildings:								
Net assignable square feet (in thousands)	1,782,291	1,782,291	1,781,931	1,753,852	1,742,076	1,751,840	1,778,193	1,835,720
Student housing:								
Residence halls	23	23	23	21	21	21	21	21
Suites	3	3	3	3	3	3	3	3
Apartments	4	4	4	4	4	4	4	4
Units available	6,198	6,215	6,346	6,346	6,216	6,221	6,468	6,577
Units in use	5,923	6,129	6,148	6,148	6,398	6,267	6,313	6,588
Percent occupancy	95.6%	98.6%	96.9%	96.9%	102.9%	100.7%	97.6%	100.2%
Dining facilities:								
Locations	16	16	16	15	14	13	12	11
Average daily customers	15,024	15,531	14,685	13,986	13,430	12,382	11,957	12,027
Parking facilities:								
Parking spaces available	12,839	13,302	13,302	13,312	13,312	13,211	12,639	12,426
Parking permits issued to students	15,358	13,086	14,891	15,983	15,950	13,919	12,460	12,781
Parking permits issued to faculty/staff	3,898	4,788	5,024	5,374	4,650	4,359	4,177	4,018

Note: Prior fiscal year data is not readily available.

Sources:

Building square footage	Clemson University Office of Institutional Research
Student housing	Clemson University Housing
Dining facilities	Clemson University Business Services
Parking facilities	Clemson University Parking Services

DEMOGRAPHIC STATISTICS

State of South Carolina

Last Ten Calendar Years

Year	Population as of June 30 (a)	Per Capital Income (b)	Average Annual Unemployment Rate (c)
2007	4,407,709	\$ 31,013	5.9%
2006	4,330,108	29,767	6.4%
2005	4,254,989	28,460	6.7%
2004	4,201,437	27,039	6.8%
2003	4,146,770	25,852	6.7%
2002	4,104,683	25,348	5.9%
2001	4,062,933	24,974	5.2%
2000	4,023,628	24,423	3.6%
1999	3,974,682	23,075	4.1%
1998	3,919,235	22,161	3.6%

(a) Source: U.S. Census Bureau

(b) Source: U.S. Board of Economic Advisors

(c) Source: U.S. Department of Labor

TEN LARGEST EMPLOYERS

State of South Carolina

Latest Completed Calendar Year and Five Years Prior (a)

(Listed Alphabetically)

2007

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Greenville County School District
Greenville Hospital System
Palmetto Health Alliance, Inc.
University of South Carolina
U.S. Department of Defense
U.S. Postal Service
Wal-Mart Associates, Inc.
Washington Savannah River Company

2001

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Michelin Tire Corporation
School District of Greenville
Springs Industries, Inc.
University of South Carolina
U.S. Department of Defense
U.S. Postal Service
Wal-Mart Associates, Inc.
Westinghouse Savannah River

(a) The ten largest employers prior to calendar year 2001 are unavailable.

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Employment Security Commission

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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