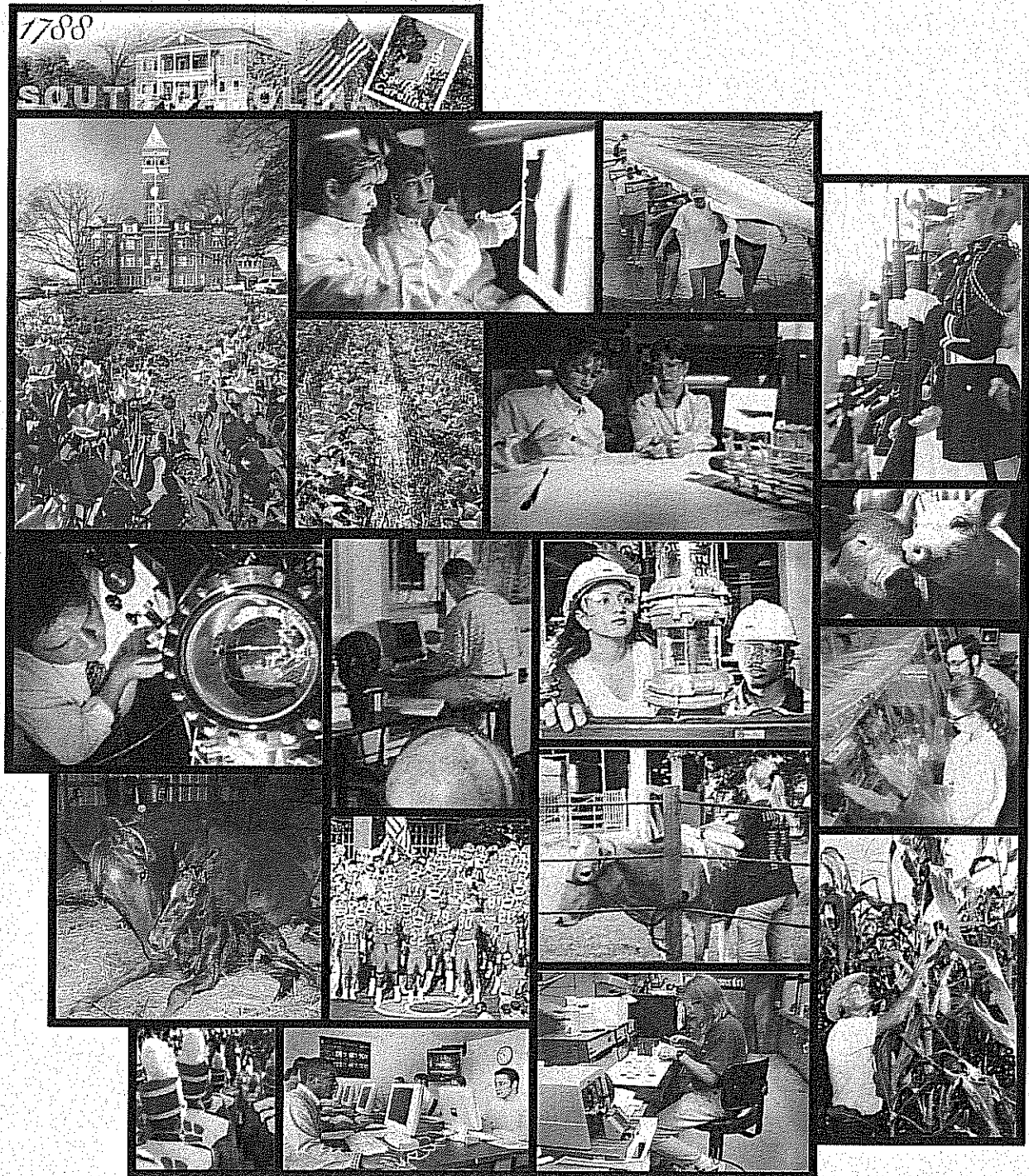


# CLEMSON

UNIVERSITY  
*Clemson, South Carolina*



## *Comprehensive Annual Financial Report*

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

*For the Year Ended June 30, 2002*



# *Comprehensive Annual Financial Report*

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

*For the Year Ended June 30, 2002*

*Prepared by the Comptrollers Office*

# CLEMSON

## UNIVERSITY

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## *Introductory Section*



## *President's Letter*

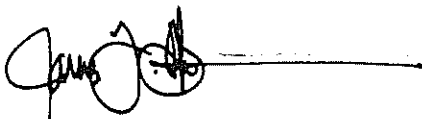
Dear Friends of Clemson:

We all know that not all accomplishments can be measured in quantifiable terms, but some can and should. Five numbers reflect the hard work, energy and creativity of Clemson University.

- \$100 million in research funding.
- 1200 - average SAT score for incoming freshman.
- 47 percent - of the freshman class is ranked in the top ten percent of their high school class.
- \$123 million - in new construction currently happening on our campus.
- One-third - of the state's Palmetto Fellows, recipients of the state's most prestigious academic scholarship, chose to attend Clemson.

The audited financial statements in this financial report show a commitment to fiscal accountability. To assure accountability in meeting the goals of Clemson University, I have presented a report card on our success and failure in reaching these goals at each Board of Trustees meeting. We have also posted our progress in meeting our goals on a report card on our web site, making accountability about as "public" as it can be.

There is much work to be done. Over the next year, we will work to restore funding for higher education and public service activities and seek understanding of the University's research activities as an economic development catalyst in the improvement of the quality of life for the State of South Carolina.



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

### • **Campus life**

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

### • **Student performance**

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

### • **Educational resources**

- Successfully complete our capital campaign and a subsequent one.
- 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 15, 2002

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, 2002. The audit report of our auditors, KPMG LLP, appears in the Financial Section, and expresses an unqualified opinion on the University's financial statements.

### INTRODUCTION

The Comprehensive Annual Financial Report includes the financial statements for the year ended June 30, 2002, and other information useful to those we serve and to those to whom we are accountable. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information is accurate in all material respects and fairly presents the University's financial position, as well as revenues, expenses, changes in net assets and cash flows.

The financial statements presented this year not only have new titles and a new look but reporting measurements and presentations have been changed to meet the new government financial reporting standards issued by the Governmental Accounting Standards Board. The Comprehensive Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 2002. The report is organized into three sections.

The *Introductory Section* includes the transmittal letter, a listing of the University Board of Trustees, an organization chart, an University overview and the Certificate of Achievement of Excellence in reporting awarded to the University for the year ended June 30, 2001. This section is intended to acquaint the reader with the organization, structure and scope of operations of the University.

The *Financial Section* presents the basic financial statements, management's discussion and analysis and the report of the independent external auditors. The basic financial statements are prepared in accordance with generally accepted accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board.

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

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

The financial statements represent all activities of Clemson University. Although the Clemson Research Facilities Corporation is a legally separate entity, its financial statements are blended in the Clemson University Financial Statements. Governmental accounting standards require a blending of those entities' financial statements when the activities of a component unit are so intertwined with the University that they are in substance the same as the University.

Clemson University is promoted and supported through activities of other affiliated entities, the Clemson University Foundation, Clemson University Research Foundation, Clemson University Real Estate Foundation, Inc., Clemson Engineering Foundation, Clemson Advancement Foundation for Design and Building, and the Clemson University Continuing Education and Conference Center Complex



### FINANCIAL AFFAIRS

Chief Business Officer G-06 Sikes Hall Box 345301 Clemson, SC 29634-5301  
864.656.2420 FAX 864.656.2008

Corporation. These separately chartered entities' activities are governed by their Boards of Directors. These entities are not included in the financial statements, but their financial relationship is discussed in the footnotes to the financial statements. The financial statements for these entities are available in their respective offices or may be obtained from the University Comptroller's Office.

## MAJOR INITIATIVES

Clemson University adopted a new mission and vision statement with a set of ten-year goals in 2000. While state funding of public higher education has experienced budget cuts, Clemson University remains committed to these goals and to maintaining academic quality.

In the past year the vice presidents of academic affairs, research and public service met with the faculty of each academic department. Their purpose was to assist each department in developing a five-year strategic plan. The level of collaboration, listening, faculty involvement, and consensus building is so unique that it led a recent accreditation team to give Clemson two commendations calling these discussions "Clemson's ministry of listening."

The outcome of those meetings is a detailed academic plan built around well-defined areas of emphasis, strategic refilling of vacant faculty positions, and a renewed emphasis on general education. The academic plan, "road map", is being utilized for funding budget priorities.

Clemson University has made substantial investments in improving academic quality in the past two years. These investments are beginning to pay off.

- The new Academic Support Center has increased retention of the State LIFE Scholarships. Among the general freshman class, forty-two percent retain scholarships. Among students participating in the Academic Support Center, the retention rate is more than fifty percent.
- Faculty recruiting has been raised to a new level of quality. Fifteen outstanding new faculty with credentials that rival any faculty at the nation's top 20 public universities were targeted and hired.
- External research support has grown. A ten year goal of \$100 million in research support activity was reached after only three years. When the goal was established, research support was only \$55 million a year. Faculty have responded to the challenge, and have almost doubled research support activity since 1999.
- The state's best students are responding to the increase in quality. The group of freshmen that are arriving this Fall have an average SAT score of more than 1200. Forty-seven percent of the freshman were in the top ten percent of their high school class. This class will include one-third of the State of South Carolina Palmetto Fellows, more than any other institution. Also of note, in 1995 the University accepted eighty percent of its applicants. This year fifty-one percent of applicants were selected.

## FINANCIAL INFORMATION

### Internal Control Structure and Budgetary Control

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

As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations relating to such assistance. A combination of State and University policies and procedures, integrated with the University's structure of internal controls, provides for this compliance. The University has an annual single audit performed in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133.

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

### Debt Administration

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

### Cash Management

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



## Risk Management

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

## OTHER INFORMATION

### Audits

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the fiscal year ending June 30, 2002, the State Auditor contracted with the independent certified public accounting firm of KPMG LLP, to perform the University's annual audit. Under the terms of this contract, KPMG LLP will perform the audit of the University's financial statements and the University's federal financial assistance programs for the next four years. Additionally, Clemson University internal auditors perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with you, the Board of Trustees, and the University's management.

### Changes in Financial Statement Presentation

The financial statements have a different look due to a change in reporting format using new concepts required by the Governmental Accounting Standards Board (GASB). With the adoption of GASB Statements No. 34 and No. 35, three new financial statements, additional footnote disclosures and a management's discussion and analysis are now required. The new reporting requirements should simplify financial reporting and promote understanding of the financial results of operations. Some of the conceptual and reporting format changes:

- Reporting concepts are based on the fact that Clemson University is an entity of the government of the State of South Carolina, first, a public higher education institution, second.
- Presentation of the financial statements of Clemson University in a single column. Fund group presentations are no longer permitted.
- Reclassification of capital expenses for equipment and buildings to an asset classification with depreciation expense now being recorded over the useful life of the assets.
- Reduction in overall revenues with the elimination of

"double counting" of scholarships and grants and contracts used to pay for student fees and indirect cost recoveries.

- Change of classification of expenses from programs (Instruction, Research, Public Service, etc.) to use classifications (Compensation and Benefits, Supplies, Utilities, etc.)
- Introduction of an operating/nonoperating classification to identify the year's financial activity.
- Change in classification of balances previously identified as internally designated for reserves or special projects and capital projects to unrestricted net assets.

These changes will present communication and educational opportunities, such as understanding differences in historical data, trend analysis, performance indicators and operating measures. Since all public higher education institutions are mandated to make these reporting changes, it may take several years for preferred or best reporting practices to emerge.

### Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clemson University for its comprehensive annual financial report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

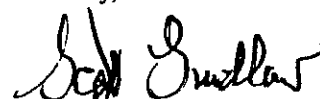
In order to be awarded a Certificate of Achievement a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable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

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

### Acknowledgements

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

Sincerely,



Scott Ludlow  
Chief Business Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Clemson University,  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

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.



*Timothy A. Howe*  
President

*Jeffrey L. Esser*  
Executive Director

# CLEMSON UNIVERSITY BOARD OF TRUSTEES

## TRUSTEES

Lawrence M. Gressette, Jr., *Chairman*  
Chairman of the Executive Committee, SCANA Corporation

Louis B. Lynn, *Vice Chairman*  
President, ENVIRO AgScience, Inc.

Bill L. Amick  
Chairman and CEO, Amick Farms

J. J. Britton  
OB-GYN, Woman's Clinic

Leon J. (Bill) Hendrix, Jr.  
Clayton, Dubilier & Rice, Inc.

Thomas C. Lynch, Jr.  
Pharmacist, Retired

Patricia Herring McAbee  
Vice President, Custom Development Solutions

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

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

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

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

Joseph D. Swann  
President, Rockwell Automation Power Systems

Allen P. Wood  
President, Wilkins Wood Mace Associates, Ltd.

## TRUSTEE EMERITI

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

Fletcher C. Derrick, Jr.  
Urologist

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

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

Paul W. McAlister  
Retired

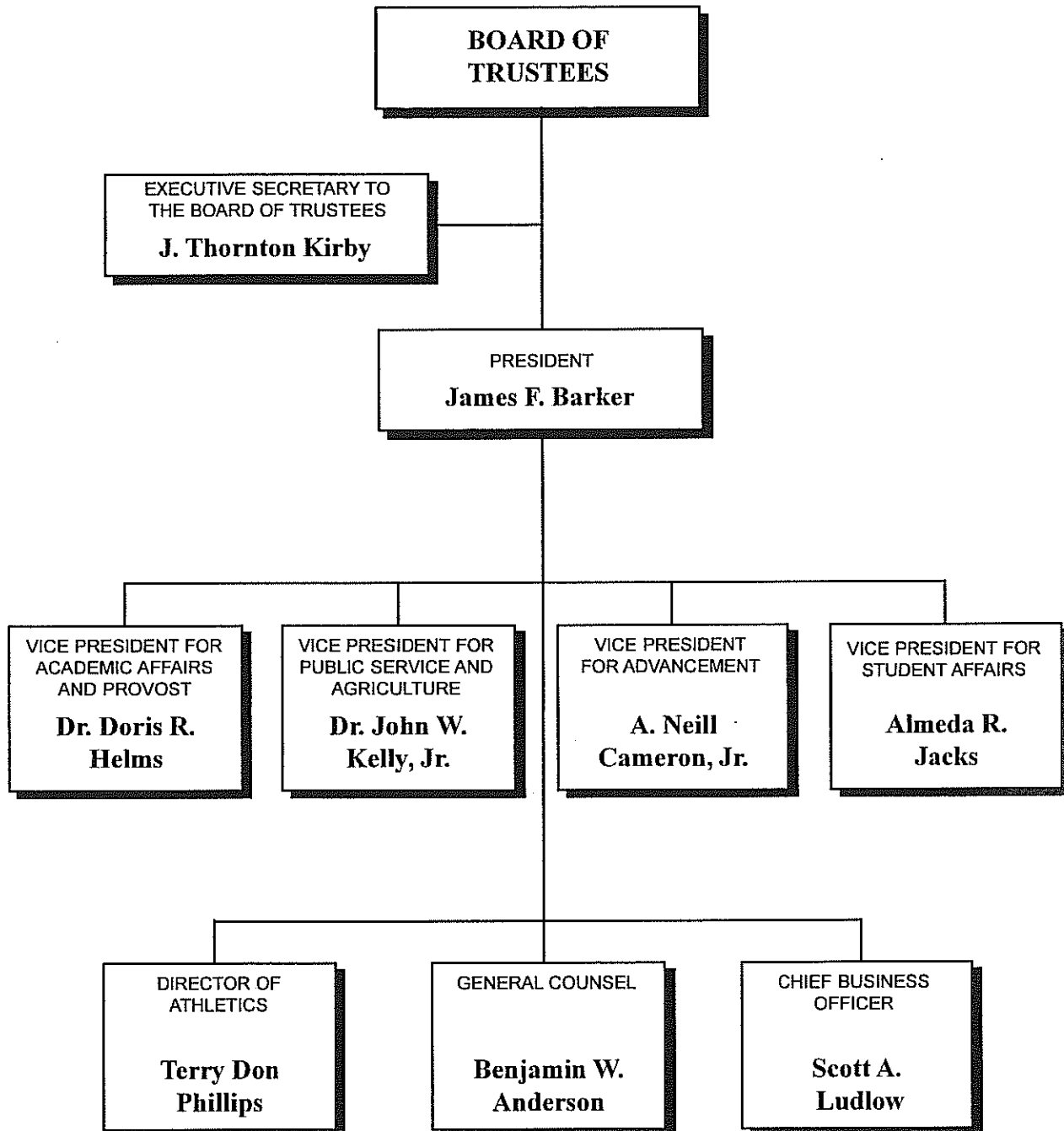
Paul Quattlebaum  
Retired

D. Leslie Tindal  
South Carolina Commissioner of Agriculture  
Ten-Dale Farms

James M. Waddell, Jr.  
Retired

# CLEMSON UNIVERSITY ORGANIZATION CHART

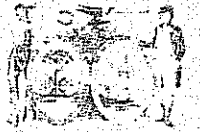
(as of June 30, 2002)





## *Financial Section*

State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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

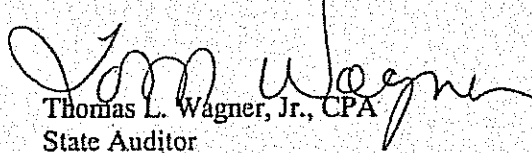
November 12, 2002

The Honorable Jim Hodges, Governor  
and  
Members of the Board of Trustees  
Clemson University  
Clemson, South Carolina

This report on the audit of the financial statements of Clemson University for the fiscal year ended June 30, 2002, was issued by KPMG, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb



Suite 900  
55 Beattie Place  
Greenville, SC 29601-2106

### Independent Auditors' Report

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

We have audited the accompanying statement of net assets of Clemson University (the University), a component unit of the State of South Carolina, and its discretely presented component unit as of June 30, 2002 and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These basic financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements 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 basic financial statements are free of material misstatement. 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Clemson University and its discretely presented component unit as of June 30, 2002, and the respective 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.

As discussed in note 21 to the basic financial statements, effective July 1, 2001, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 6, 2002 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



KPMG LLP, KPMG LLP a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.



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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

September 6, 2002



## 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 2002. While audited financial statements for fiscal year 2001 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. In addition, this discussion will focus on operations and financial position of the primary institution – Clemson University, and will not include its component unit – the Clemson Research Facilities Corporation.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*. These financial statements differ significantly, in both the form and the accounting principles utilized from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

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. The University's net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

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

### Summary 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 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.

## UNAUDITED

### Condensed Summary of Net Assets (thousands of dollars)

	2002	2001	Increase/ (Decrease)	Percent Change
<b>Assets:</b>				
Current assets	\$ 155,689	\$ 161,565	\$ (5,876)	(3.64)%
Capital assets, net	337,114	296,466	40,648	13.71%
Other assets	73,255	66,620	6,635	9.96%
<b>Total Assets</b>	<b>566,058</b>	<b>524,651</b>	<b>41,407</b>	<b>7.89%</b>
<b>Liabilities</b>				
Current Liabilities	68,909	60,066	8,843	14.72%
Noncurrent Liabilities	90,457	96,352	(5,895)	(6.12)%
<b>Total Liabilities</b>	<b>159,366</b>	<b>156,418</b>	<b>2,948</b>	<b>1.88%</b>
<b>Net Assets</b>				
Invested in capital assets, net of debt	252,576	221,983	30,593	13.78%
Restricted - expendable	101,223	97,345	3,878	3.98%
Restricted - nonexpendable	9,223	9,201	22	0.24%
Unrestricted	43,670	39,704	3,966	9.99%
<b>Total Net Assets</b>	<b>\$ 406,692</b>	<b>\$ 368,233</b>	<b>\$ 38,459</b>	<b>10.44%</b>

- Total Assets of the University increased by \$41.4 million. Capital assets increased \$40.6 million, driven by a \$38.2 million increase in Construction In Progress. Several major building projects are underway, with several slated for completion in the next fiscal year.
- Increases in accounts and retainages payable, primarily attributable to construction projects, of almost \$3.7 million were a major component of the \$8.8 million increase in Current Liabilities. Also contributing were increases of \$1.6 million and \$1.1 million, respectively, in accrued payroll and related liabilities and funds held for others. In addition, deferred revenues increased by \$1.4 million, driven largely by increased football ticket sales for the coming season.
- The \$5.9 million decrease in Noncurrent Liabilities was almost totally attributable to payments on bonds, capital leases and notes payable.
- Although all categories of Net Assets increased during the year, the \$38.5 million overall increase was largely attributable to the increase in capital assets, net of debt of \$30.6 million.

### Summary 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. 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 non-operating 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 non-operating, and the expenses paid by the institution, operating and non-operating, 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. Non-operating 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 non-operating revenues and are reported after "Income before other revenues, expenses, gains or losses".

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

	2002	2001	Increase/ (Decrease)	Percent Change
<b>Operating Revenues:</b>				
Student tuition and fees	\$ 94,062	\$ 82,737	\$ 11,325	13.69%
Sales and services	71,793	71,374	419	.59%
Grants and contracts	80,866	71,810	9,056	12.61%
Other operating revenues	11,209	10,356	853	8.24%
Total operating revenues	257,930	236,277	21,653	9.16%
<b>Operating Expenses:</b>				
Compensation and employee benefits	292,247	271,332	20,915	7.71%
Services and supplies	108,322	113,665	(5,343)	(4.70)%
Utilities	12,006	11,198	808	7.22%
Depreciation	19,158	18,694	464	2.48%
Scholarships and fellowships	9,090	9,268	(178)	(1.92)%
Total operating expenses	440,823	424,157	16,666	3.93%
Operating loss	(182,893)	(187,880)	4,987	2.65%
<b>Nonoperating Revenues (Expenses):</b>				
State appropriations	155,453	165,918	(10,465)	(6.31)%
Federal appropriations	9,772	16,260	(6,488)	(39.90)%
Gifts	26,892	30,318	(3,426)	(11.30)%
Investment income	5,617	7,609	(1,992)	(26.18)%
Gain/(loss) on disposal of capital assets	12,621	(1,226)	13,847	1,129.46%
Interest expense	(4,300)	(3,979)	(321)	8.07%
Other nonoperating revenues/expenses	1,134	179	955	533.52%
Total nonoperating revenues (expenses)	207,189	215,079	(7,890)	(3.67)%
Income before other revenues, expenses, special and extraordinary items and transfers	24,296	27,199	(2,903)	(10.67)%
Capital grants and appropriations	14,346	19,041	(4,695)	(24.66)%
Permanent endowment additions	235	79	156	197.47%
Transfers to state-general fund	(418)	(359)	(59)	16.43%
Change in Net Assets	38,459	45,960	(7,501)	(16.32)%
Net Assets, Beginning, (as restated)	368,233	322,273	45,960	14.26%
Net Assets, Ending	\$ 406,692	\$ 368,233	\$ 38,459	10.44%

The Condensed Summary 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 Summary are as follows:

- An \$11.3 million increase in student tuition and fees and a \$7.4 million increase in Federal grants and contracts revenues were largely responsible for the overall \$21.7 million increase in Operating revenues. Both of these increases stemmed from direct and deliberate actions designed to meet the goals of the University's 10-Year Plan. As a result of State budget cuts, the Board of Trustees adopted a phased-in 42 percent tuition increase to offset reduction in state appropriation revenues and still allow the University to stay on track to meet its goal of becoming a top 20 public research university. Another stated goal of attaining \$100 million in research awards remained on track with the selection of a Vice President for Research, and the retention of a consulting firm in Washington, DC to assist in obtaining emerging federal grants and contracts.
- While Operating expenses increased \$16.7 million,

expenses for compensation and benefits were up \$20.9 million. As with Operating revenues, this increase was directly attributable to Board of Trustees actions to follow its "Academic Road Map" in light of reduced state appropriations. Faculty salaries (without respect to fringes and benefits) increased \$3.4 million in an attempt to reward and attract the best and brightest faculty. Waivers for graduate assistantships increased almost \$3 million due to the increase in tuition and fees, and Graduate Assistantships and Wages costs increased \$4 million as additional work opportunities were offered to help students defray the cost of the tuition increases. A State-approved Retirement Incentive Plan resulted in over 60 retirements, but cost almost \$3.7 million in retirement incentive purchases. Increases in fringe benefits and a slight increase of only \$1.3 million in staff salaries accounted for the remainder of the overall \$20.9 million increase in compensation and benefits. Services and supplies expenditures declined by \$5.3 million, primarily for three reasons: State appropriation budget cuts resulting in a decrease in discretionary spending, the sluggish economy and the war against terrorism resulted in a decrease in off campus continuing

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education course offerings, and operation and maintenance of plant projects shifted from repair and renovations to capital improvements.

- The \$7.9 million decline in Nonoperating revenues and expenses was attributable to a decrease in state and federal appropriations and a decrease in gifts. Due to two separate mid-year budget cuts, state appropriations decreased \$10.4 million. Although Federal appropriations decreased \$6.5 million, this decline was mainly attributable to the differences in federal and state fiscal year ends as awards for the Smith-Lever, Hatch, McIntire-Stennis, and Animal Health programs remained approximately the same. The decline in gifts revenues is attributed to the economic downturn, and to fact that the previous year saw the completion of a major capital campaign. In addition, the University sold a 300-acre parcel of land at its Sandhill Research and Education Center in Columbia, SC this past year for \$13.5 million. Approximately \$6.9 million of these proceeds is earmarked for future construction at Sandhill, and the remainder will be reserved in a fund functioning as an endowment.
- State and private capital gifts, grants, and appropriations declined approximately \$4.7 million.

### 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 non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital 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 Asset and Debt Administration

Although no buildings were placed in service in fiscal year 2002, numerous capital projects continued on pace. The Biosystems Research Complex, designed to accommodate the University's state-of-the-art genetics research program, comprised almost \$28 million of the \$70 million balance in Construction In Progress, and was slated to become operational in the coming academic year. Major renovations to the Hardin Hall academic building, Fike Recreation/Wellness Center, and to various athletic facilities were also on schedule for

completion in the next fiscal year.

The University's financial statements indicate \$77,060,000 in bonds payable, \$7,323,302 in capital leases payable, and \$154,910 in notes payable at June 30, 2002.

The University's bonded indebtedness consisted of: General Obligation Bonds of \$9,915,000, Plant Improvement Bonds of \$6,275,000 and various revenue bond issues totaling \$60,870,000. 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, stadium refunding, plant improvement, parking and various auxiliary facilities are paid with pledged net revenues, special imposed student fees, stadium seat taxes, and in one case, a loan interest subsidy from the federal government.

The \$7,323,302 in capital leases is comprised of three leases for land and real estate, one with the University's component unit, the Clemson Research Facilities Corporation, and two with a related party, the Clemson University Research Foundation. The \$154,910 note payable balance relates to the purchase of a fire truck.

For additional information on Capital Assets and Debt Administration, see Notes 4, 6 and 7 in the notes to the financial statements.

### Economic Outlook

The economic position of the University is closely tied to that of the State of South Carolina. The State closed fiscal year 2002 with a cumulative \$149 million deficit, primarily due to collections falling below estimates for income and sales taxes. State Constitutional requirements to restore amounts withdrawn from the State's General Reserve to balance the 2002 budget make fiscal year 2003 budget cuts to State agencies a near certainty.

In anticipation of the State's economic condition, and in recognition that the University budget for fiscal year 2003 reflects state appropriation funding of less than one-third of the total University budget, the University Board of Trustees adopted a 14.6 percent tuition increase for both in-state and out-of-state students.

Although a year characterized by budget cuts and no cost-of-living raises looms for the University, tuition increases for in-state students will be mitigated by increases in several state scholarship programs funded by the new State lottery. Palmetto Fellows scholarships increased from \$5,000 to \$6,700. LIFE scholarships increased from \$3,000 to \$5,000, and the first year HOPE scholarship offers a one-year scholarship of \$2,650.

Despite the economic downturn and state budget cuts the University finished the fiscal year better off than in the previous year. Proof lies beyond the quantifiable increase in net assets of \$38.5 million, but can also be found in the fact that overwhelmingly more students desire to attend Clemson University than can be accepted, and those that are accepted have record high SAT scores and high school rankings.

# CLEMSON UNIVERSITY

## STATEMENT OF NET ASSETS

June 30, 2002

	Clemson University	Clemson Research Facilities Corporation	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents .....	\$ 84,641,385	\$ 132,627	\$ 84,774,012
<b>Restricted Assets - Current</b>			
Cash and cash equivalents .....	38,051,946	—	38,051,946
Accounts receivable (Net of provision for Doubtful Accounts of \$91,106) .....	8,138,074	—	8,138,074
Grants and contracts receivable .....	20,105,871	—	20,105,871
Contributions receivable, net .....	1,724,239	—	1,724,239
Interest and income receivable .....	1,646,804	—	1,646,804
Student loans receivable .....	14,159	—	14,159
Inventories .....	885,437	—	885,437
Prepaid expenses .....	451,714	4,581	456,295
Investment in direct financing lease .....	—	246,038	246,038
Other .....	29,663	10,135	39,798
<b>Total current assets</b> .....	<b>155,689,292</b>	<b>393,381</b>	<b>156,082,673</b>
<b>Noncurrent Assets</b>			
Notes receivable .....	47,740,222	—	47,740,222
Contributions receivable, net .....	5,213,999	—	5,213,999
Investments .....	2,997,444	—	2,997,444
Investment in direct financing lease .....	—	2,836,280	2,836,280
<b>Restricted Assets - Noncurrent</b>			
Cash and cash equivalents .....	10,113,619	547,800	10,661,419
Student loans receivable .....	6,874,376	—	6,874,376
Other .....	315,272	81,079	396,351
Capital assets, net of accumulated depreciation .....	337,113,861	—	337,113,861
<b>Total noncurrent assets</b> .....	<b>410,368,793</b>	<b>3,465,159</b>	<b>413,833,952</b>
<b>Total assets</b> .....	<b>\$ 566,058,085</b>	<b>\$ 3,858,540</b>	<b>\$ 569,916,625</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts and retainages payable .....	\$ 22,000,193	\$ —	\$ 22,000,193
Accrued payroll and related liabilities .....	8,304,131	—	8,304,131
Accrued compensated absences and related liabilities .....	11,564,077	—	11,564,077
Accrued interest payable .....	679,147	—	679,147
Deferred revenues .....	18,240,951	—	18,240,951
Bonds payable .....	5,040,000	—	5,040,000
Certificates of participation payable .....	—	505,000	505,000
Capital leases payable .....	942,614	—	942,614
Notes payable .....	49,210	—	49,210
Deposits .....	568,174	—	568,174
Funds held for others .....	1,360,485	—	1,360,485
Arbitrage payable .....	160,327	—	160,327
<b>Total current liabilities</b> .....	<b>68,909,309</b>	<b>505,000</b>	<b>69,414,309</b>
<b>Noncurrent Liabilities</b>			
Accounts and retainages payable .....	187,431	—	187,431
Accrued compensated absences and related liabilities .....	5,331,923	—	5,331,923
Funds held for others .....	6,431,035	—	6,431,035
Bonds payable .....	72,020,000	—	72,020,000
Certificates of participation payable .....	—	3,231,368	3,231,368
Capital leases payable .....	6,380,688	—	6,380,688
Notes payable .....	105,700	—	105,700
<b>Total noncurrent liabilities</b> .....	<b>90,456,777</b>	<b>3,231,368</b>	<b>93,688,145</b>
<b>Total liabilities</b> .....	<b>\$ 159,366,086</b>	<b>\$ 3,736,368</b>	<b>\$ 163,102,454</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt .....	\$ 252,575,649	\$ —	\$ 252,575,649
Restricted for Nonexpendable:			
Scholarships and Fellowships .....	9,223,406	—	9,223,406
Restricted for Expendable:			
Scholarships and Fellowships .....	66,194,446	—	66,194,446
Research .....	2,021,885	—	2,021,885
Instructional department use .....	11,969,602	—	11,969,602
Loans .....	2,418,206	—	2,418,206
Capital projects .....	16,177,247	—	16,177,247
Debt service .....	2,441,574	—	2,441,574
Unrestricted .....	43,669,984	122,172	43,792,156
<b>Total net assets</b> .....	<b>\$ 406,691,999</b>	<b>\$ 122,172</b>	<b>\$ 406,814,171</b>

See accompanying notes to basic financial statements.

**CLEMSON UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For the year ended June 30, 2002

	Clemson University	Clemson Research Facilities Corporation	Total
<b>REVENUES:</b>			
<b>Operating Revenues</b>			
Student tuition and fees (net of scholarship allowances of \$21,907,007) .....	\$ 94,061,816	\$ —	\$ 94,061,816
Federal grants and contracts .....	51,221,903	—	51,221,903
State grants and contracts .....	19,884,859	—	19,884,859
Local grants and contracts .....	1,103,275	—	1,103,275
Nongovernmental grants and contracts .....	8,656,262	—	8,656,262
Sales and services of educational and other activities .....	9,481,324	—	9,481,324
Sales and services of auxiliary enterprises - pledged for revenue bonds (net of scholarship allowances of \$7,626,281) .....	49,927,309	—	49,927,309
Sales and services of auxiliary enterprises - not pledged .....	12,384,121	—	12,384,121
Other operating revenues .....	11,208,657	298,030	11,506,687
<b>Total operating revenues</b> .....	<b>257,929,526</b>	<b>298,030</b>	<b>258,227,556</b>
<b>EXPENSES:</b>			
<b>Operating Expenses</b>			
Compensation and employee benefits .....	292,247,117	—	292,247,117
Services and supplies .....	108,321,462	35,407	108,356,869
Utilities .....	12,006,382	—	12,006,382
Depreciation .....	19,158,248	10,135	19,168,383
Scholarships and fellowships .....	9,089,474	—	9,089,474
<b>Total operating expenses</b> .....	<b>440,822,683</b>	<b>45,542</b>	<b>440,868,225</b>
<b>Operating income/(loss)</b> .....	<b>(182,893,157)</b>	<b>252,488</b>	<b>(182,640,669)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
State appropriations .....	155,453,023	—	155,453,023
Federal appropriations .....	9,772,107	—	9,772,107
Gifts .....	26,892,073	—	26,892,073
Interest income .....	7,404,845	11,977	7,416,822
Endowment income .....	(1,788,499)	—	(1,788,499)
Interest on capital asset related debt .....	(4,300,280)	(256,267)	(4,556,547)
Other nonoperating revenues .....	1,423,176	—	1,423,176
Gain/loss on disposal of capital assets .....	12,621,267	—	12,621,267
Refunds to grantors .....	(288,718)	—	(288,718)
<b>Net nonoperating revenues</b> .....	<b>207,188,994</b>	<b>(244,290)</b>	<b>206,944,704</b>
<b>Income before other revenues, expenses, gains or losses</b> .....	<b>24,295,837</b>	<b>8,198</b>	<b>24,304,035</b>
State capital appropriations .....	12,482,232	—	12,482,232
Capital grants and gifts .....	1,864,354	—	1,864,354
Additions to permanent endowments .....	235,430	—	235,430
Transfers to/from other state funds .....	(418,461)	—	(418,461)
<b>Increase in net assets</b> .....	<b>38,459,392</b>	<b>8,198</b>	<b>38,467,590</b>
<b>Net Assets</b>			
Net assets, Beginning of Year, as Restated .....	368,232,607	113,974	368,346,581
Net assets, End of Year .....	<u>\$ 406,691,999</u>	<u>\$ 122,172</u>	<u>\$ 406,814,171</u>

See accompanying notes to basic financial statements.



# CLEMSON UNIVERSITY

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2002

	Clemson University	Clemson Research Facilities Corporation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments from customers .....	\$ 149,019,554	\$ 298,030	\$ 149,317,584
Grants and contracts .....	77,997,431	—	77,997,431
Payments to suppliers .....	(123,474,616)	(38,446)	(123,513,062)
Payments to employees .....	(228,645,526)	—	(228,645,526)
Payments for benefits .....	(54,834,562)	—	(54,834,562)
Payments to students .....	(19,285,596)	—	(19,285,596)
Loans to students .....	(18,497)	—	(18,497)
Collection of loans .....	1,241,819	—	1,241,819
Net cash provided (used) by operating activities .....	(197,999,993)	259,584	(197,740,409)
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State appropriations .....	155,453,023	—	155,453,023
Federal appropriations .....	8,422,445	—	8,422,445
Gifts .....	66,828,162	—	66,828,162
Other inflows .....	1,436,060	—	1,436,060
Other outflows .....	(706,650)	—	(706,650)
Net cash flow provided (used) by noncapital financing activities .....	231,433,040	—	231,433,040
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
State capital appropriations .....	10,893,748	—	10,893,748
Capital grants and gifts received .....	824,390	—	824,390
Proceeds from sale of property .....	14,017,684	—	14,017,684
Purchases of capital assets .....	(56,517,091)	—	(56,517,091)
Principal paid on capital debt and lease .....	(5,953,379)	(510,000)	(6,463,379)
Interest and fees .....	(4,580,254)	—	(4,580,254)
Net cash provided (used) by capital activities .....	(41,314,902)	(510,000)	(41,824,902)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest on investments .....	7,584,430	11,977	7,596,407
Transfer to Clemson University Foundation .....	(3,100,000)	—	(3,100,000)
Principal received on direct financing lease .....	—	226,970	226,970
Proceeds from stock sales .....	216,034	—	216,034
Net cash provided (used) by investing activities .....	4,700,464	238,947	4,939,411
Net change in cash .....	(3,181,391)	(11,469)	(3,192,860)
Cash and cash equivalents, beginning of year .....	135,988,341	691,896	136,680,237
Cash and cash equivalents end of year .....	\$ 132,806,950	\$ 680,427	\$ 133,487,377
<b>Reconciliation of net operating revenues (expense) to net cash provided (used) by operating activities:</b>			
Operating income (loss) .....	\$ (182,893,157)	\$ 252,488	\$ (182,640,669)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense .....	19,158,248	10,135	19,168,383
Change in asset and liabilities:			
Receivables net .....	(41,386,012)	—	(41,386,012)
Grants and contracts receivable .....	(3,069,558)	—	(3,069,558)
Student loans receivable .....	(78,638)	—	(78,638)
Prepaid expenses .....	2,001,239	(3,039)	1,998,200
Inventories .....	(23,366)	—	(23,366)
Other .....	8,692	—	8,692
Accounts and retainages payable .....	(280,965)	—	(280,965)
Accrued payroll and related liabilities .....	1,550,830	—	1,550,830
Accrued compensated absences and related liabilities .....	835,000	—	835,000
Deferred revenue .....	4,886,738	—	4,886,738
Deposits held for others .....	1,290,956	—	1,290,956
Net cash provided (used) by operating activities .....	\$ (197,999,993)	\$ 259,584	\$ (197,740,409)
<b>NON-CASH TRANSACTIONS</b>			
Decrease in fair value of investments .....	\$ (4,291,740)	\$ —	\$ (4,291,740)

See accompanying notes to basic financial statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Organization

Clemson University (University/Institution) 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 operations are reported in an enterprise fund 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, 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, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Clemson University as the primary government, and the accounts of the Clemson Research Facilities Corporation ("CRFC"), its component unit. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate

financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes both the University (a primary entity) and its component unit.

A primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary government or entity that holds one or more of the following powers:

- (1) Determine its budget without another government's having the authority to approve and modify that budget.
- (2) Levy taxes or set rates or charges without approval by another government.
- (3) Issue bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, the University has determined it has a component unit and this financial reporting entity includes the University and its component unit.

The accompanying financial statements present the financial position, changes in net assets, and cash flows of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component unit.

#### Component Unit In Discrete Column

Based on the application of the above criteria, a component unit has been included in the reporting entity because of the significance of its operational or financial relationships with the University. The following identifies the University's component unit and the method of reporting in these financial statements.

#### Clemson Research Facilities Corporation

The Clemson Research Facilities Corporation (CRFC) is a separately chartered 501(c)(3) nonprofit corporation organized in 1990 to construct research facilities and finance the related costs on behalf of Clemson University. The Clemson Research Facilities Corporation is governed by a Board of Directors comprised of four individuals who are appointed by the Clemson University Board of Trustees. This relationship allows the University to impose its will on the Board of Directors resulting in a presentation of the CRFC in a discrete column of the University's financial statements as a governmental component unit.



## NOTES TO FINANCIAL STATEMENTS

Complete financial statements of the Clemson Research Facilities Corporation are available upon request from the Clemson University's Comptroller's Office.

### Financial Statement Presentation

In June 1999 the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of South Carolina implemented GASB Statement No. 34 as amended by GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Disclosures* as of and for the year ended June 30, 2002. As part of the primary entity of the State of South Carolina, the University is also required to adopt GASB Statements No. 34, No. 35, No. 37 and No. 38. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required. Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the University, certain note disclosures have been added or amended including future debt service obligations in five year increments, short-term obligations, and interest rates.

### Measurement Focus and Basis of Accounting

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

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

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

### Cash and Cash Equivalents

The amounts shown in the financial statements in

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

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

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The University records and reports its deposits in the general deposit account at cost. It records and reports its special deposit account at fair value. Investments held by the pool are recorded at fair value. Interest earned by the University's special deposit accounts is posted to the 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 unrestricted and restricted 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.

The Clemson Research Facilities Corporation has a management agreement with a bank whereby excess cash is invested in overnight investments. These investments are considered cash equivalents for financial reporting purposes.

### Investments

The University accounts for its investments at fair value

## NOTES TO FINANCIAL STATEMENTS

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 grants 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.

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

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

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

### Inventories

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

### Noncurrent Cash and Investments

Cash and investments representing endowments, and cash and student loan receivable balances of the Federal Perkins Loan Program 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 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. 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.

### Prepaid Expenses

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

### Internal Service and Auxiliary Enterprise Activities

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

### Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory overtime leave earned for which the employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments. The 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, certificates of participation payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

### Net Assets

The University's net assets are classified as follows:

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

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

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

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

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

### Income Taxes

The University is a political subdivision of the State of South Carolina and is consequently exempt from federal and state income taxes.

The Clemson Research Facilities Corporation, a discretely presented component unit of the University, qualifies as an organization exempt from taxation under section 501(c)(3) of the Internal Revenue code. Consequently, it is also exempt from state income tax. The Corporation has obtained a favorable tax determination letter from the Internal Revenue Service dated July 22, 1992, and the Corporation believes that it continues to qualify and operate as designed.

### Classification of Revenues

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

*Operating revenues:* 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.

*Nonoperating revenues:* 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

## NOTES TO FINANCIAL STATEMENTS

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.

### **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 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 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 and certificates of participation 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.

### **Investment in Direct Financing Lease**

On May 1, 1990, the Clemson Research Facilities Corporation (CRFC), a component unit of the University, entered into a direct financing lease with the University whereby the University leases a research facility for a twenty-year period beginning June 1991 and expiring June 2011 (Note 7). The lease is payable in equal monthly installments of \$43,750. The University is required to pay all taxes, utility charges and assessments, insurance premiums and all costs of operation, maintenance, repair and upkeep of the research facility.

The University at its option may terminate the lease and purchase CRFC's interest in the research facility on any July 1 or January 1, upon 30 days prior written notice to CRFC and the Trustee and upon payment by the University of the sum of (1) the research facility lease principal balance, (2) \$1, (3) the amount of any executory costs due at such time and (4) any applicable redemption premium on the certificates as provided in the agreement; provided, if the source of funds to pay the applicable redemption premium is a subsequent issue of certificates of participation or similar lease financing, the University may not exercise such option on or prior to July 1, 2011, and thereafter only on payment of such redemption premium as provided in the trust agreement. Upon the payment of the applicable redemption premium, CRFC is required to transfer all its interest in the research facility to the University.

## **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. Deposits and investments of the Clemson Research Facilities Corporation, the University's discretely presented component unit, are deposited in a financial institution and are not under the control of the State Treasurer.

The following schedule reconciles deposits and investments within the footnotes to the Statement of Net Assets:

### Reconciliation of Deposits and Investments

Statement of Net Assets		Footnotes	
Cash and cash equivalents	\$ 132,806,950	Cash on hand	\$ 225,968
Investments	2,997,444	Deposits held by State Treasurer	131,508,686
		Other deposits	1,072,296
		Investments held by State Treasurer	154,439
		Other investments	2,843,005
Total before component unit addition	135,804,394	Total before component unit addition	135,804,394
CRFC - Cash and cash equivalents	680,427	CRFC - Other deposits	680,427
Total after inclusion of component unit	\$ 136,484,821	Total after inclusion of component unit	\$ 136,484,821

### 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. In the University's accounting records, \$2,272,971 of the \$131,508,686 identified above as "Deposits held by State Treasurer", is attributable to unrealized gains.

### Other Deposits

The University's other deposits at year-end, and the deposits of the Clemson Research Facilities Corporation (CRFC), its discretely presented component unit, were entirely covered by federal depository insurance or collateral held by custodial banks of both entities in the respective depositor's name, except \$32,627 in CRFC deposits which were uninsured

and uncollateralized.

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

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

A summary of June 30, 2002, bank balances by risk category follows:

### Other Deposits by Risk Category

	Category 1	Category 2	Category 3	Bank Balance	Reported Amount
Insured (FDIC)	\$ 1,031,576	\$ —	\$ —	\$ 1,031,576	\$ 960,272
Insured (FDIC)	28,209	—	—	28,209	28,209
Insured (FDIC)	61,712	—	—	61,712	61,712
Insured (FDIC)	22,103	—	—	22,103	22,103
Total before component unit addition	1,143,600	—	—	1,143,600	1,072,296
Insured (FDIC)	100,000	—	—	100,000	100,000
Collateralized	—	545,024	—	545,024	545,024
Uninsured and uncollateralized	—	—	32,627	32,627	35,403
Total after inclusion of component unit	\$ 1,243,600	\$ 545,024	\$ 32,627	\$ 1,821,251	\$ 1,752,723



## NOTES TO FINANCIAL STATEMENTS

### Investments Held by State Treasurer

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

### Other Investments

The University also has investments in bond and equity investment funds as authorized by numerous donors. The bond and equity investment funds with a fair value of \$2,843,005, are held by Wachovia, Inc., as trustee in accordance with the endowment agreement specified by the donor.

"Other Investments" are stated at fair value and include unrealized appreciation of \$708,165. Purchases and sales are accounted for on the trade date. Both unrealized and realized gains and losses on investments have been recorded in the fund holding the investment. Earnings are recorded on an accrual

basis.

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

	Carrying Amount	Fair Value
Equity investment funds	\$ 1,316,679	\$ 1,316,679
Bond investment funds	1,526,326	1,526,326
Total investments	<u>\$ 2,843,005</u>	<u>\$ 2,843,005</u>

### NOTE 3. RECEIVABLES

University receivables reported in the Statement of Net Assets as of June 30, 2002, were as follows:

#### University Receivables

	Current	Noncurrent	Total
Accounts receivable	\$ 8,138,074	\$ —	\$ 8,138,074
Grants and contracts receivable	20,105,871	—	20,105,871
Contributions receivable	1,724,239	5,213,999	6,938,238
Notes receivable	—	47,740,222	47,740,222
Student loans receivable	14,159	6,874,376	6,888,535
Interest and income receivable	1,646,804	—	1,646,804
Total receivables	<u>\$ 31,629,147</u>	<u>\$ 59,828,597</u>	<u>\$ 91,457,744</u>

Accounts receivable are reported net of allowances for doubtful accounts of \$91,106 based on credit losses experienced in prior years and evaluation of current portfolios. Student payment allowances of \$55,000, parking services allowances of \$31,106, and telecommunications allowances of \$5,000 comprise this amount.

Accounts receivable for the year ended June 30, 2002, were comprised of the following balances:

#### Accounts Receivable

Computer Services	\$ 2,527,542
Auxiliaries	1,761,752
Capital improvement bond proceeds	1,588,484
Students/Scholarships	806,057
Professional development/conferences	517,589
Fees	265,143
Educational programs	186,766
Camps	155,462
State appropriations receivable	115,861
Royalties	102,089
Other	111,329
Total accounts receivable	<u>\$ 8,138,074</u>

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, 2002, were comprised of the following balances:

### Grants and Contracts Receivable

	Federal	State	Local	Nongovernmental	Total
Sponsored research	\$ 12,897,686	\$ 1,308,772	\$ 34,261	\$ 2,227,318	\$ 16,468,037
Land-grant appropriations	3,451,431	—	—	—	3,451,431
Scholarship programs	186,403	—	—	—	186,403
Total grants and contracts receivable	<u>\$ 16,535,520</u>	<u>\$ 1,308,772</u>	<u>\$ 34,261</u>	<u>\$ 2,227,318</u>	<u>\$ 20,105,871</u>

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	\$ 309,611	\$ 881,199	\$ 1,190,810
Athletic scholarships	1,414,628	4,332,800	5,747,428
Total receivables	<u>\$ 1,724,239</u>	<u>\$ 5,213,999</u>	<u>\$ 6,938,238</u>

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, 2002, the University had notes receivable from the Clemson University Foundation, a related party, totaling \$47,740,222. This amount includes the original loan of \$35,358,188, additional amounts totaling \$12,220,744 loaned since the fiscal year 1999 original loan, plus related income and appreciation. Funds loaned to the Clemson University Foundation will be paid back to the University with interest at a rate equal to that which is necessary to produce a sum which is equal to the total return (consisting of appreciation and income), provided, however, such rate will not be less than zero. The Memorandum of Understanding between Clemson University and the Clemson University Foundation is for a ten

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002, is summarized as follows:

Capital Assets	Beginning Balance July 1, 2001	Increases	Decreases	Ending Balance June 30, 2002
Capital assets not being depreciated:				
Land and improvements	\$ 6,289,268	\$ —	\$ 23,882	\$ 6,265,386
* Construction in progress	32,069,252	44,315,438	6,100,000	70,284,690
Total capital assets not being depreciated	38,358,520	44,315,438	6,123,882	76,550,076
Other capital assets:				
Utilities systems and other non-structural improvements	16,496,289	1,517,212	—	18,013,501
Buildings and improvements	351,314,767	9,306,381	—	360,621,148
Equipment	105,617,448	11,365,960	5,598,144	111,385,264
Vehicles	12,047,190	797,636	426,487	12,418,339
Total other capital assets at historical cost	485,475,694	22,987,189	6,024,631	502,438,252
Less accumulated depreciation for:				
Utilities systems and other non-structural improvements	7,331,603	615,166	—	7,946,769
Buildings and improvements	141,155,167	8,517,775	—	149,672,942
Equipment	68,706,604	9,892,520	4,225,610	74,373,514
Vehicles	10,174,943	132,787	426,488	9,881,242
Total accumulated depreciation	227,368,317	19,158,248	4,652,098	241,874,467
Other capital assets, net	258,107,377	3,828,941	1,372,533	260,563,785
Capital assets, net	\$ 296,465,897	\$ 48,144,379	\$ 7,496,415	\$ 337,113,861

\* Includes current fiscal year capitalized interest of \$308,179

### 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, 2002.

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 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:

Athletic event receipts - fall semester	\$ 9,110,016
Sponsored research programs	4,592,766
Academic and other fees - second summer semester	3,039,127
Other auxiliary fees - second summer session	567,248
Public Service programs	421,753
Admission fees - fall semester	253,100
Professional development fees	110,594
Educational Programs	86,385
Other	59,962
Totals	<u>\$ 18,240,951</u>



**NOTE 6.****BONDS PAYABLE, CERTIFICATES OF PARTICIPATION PAYABLE,  
AND NOTES PAYABLE****Bonds Payable**

At June 30, 2002, bonds payable consisted of the following:

**Bonds Payable**

	Interest Rate	Maturity Dates	June 30, 2002 Balance	Debt Retired in Fiscal Year 2002
<b>General Obligation Bonds</b>				
Bonds dated 5/01/92 (Series 1992B)	6.00%	6/1/2007	\$ 1,725,000	\$ 290,000
Bonds dated 4/01/95 (Series 1995A)	5.00-5.25%	6/1/2010	1,965,000	190,000
Bonds dated 6/01/97 (Series 1997B)	4.50-4.80%	6/1/2010	6,225,000	505,000
			<u>9,915,000</u>	
<b>Plant Improvement Refunding Bonds</b>				
Bonds dated 3/01/98 (Series 1998)	4.00-4.50%	5/1/2011	6,275,000	570,000
			<u>6,275,000</u>	
<b>Auxiliary Revenue Bonds</b>				
Bonds dated 1/01/98 (Series 1998A)	4.625-4.75%	5/1/2012	19,290,000	2,445,000
Bonds dated 5/01/00 (Series 2000)	5.50-6.25%	5/1/2015	21,620,000	—
			<u>40,910,000</u>	
<b>Athletic Facilities Revenue Bonds</b>				
Bonds dated 6/01/01 (Series 2001)	4.0-4.75%	5/1/2016	19,960,000	1,025,000
			<u>19,960,000</u>	<u>\$ 5,025,000</u>
			<u>\$ 77,060,000</u>	

The University receives loan interest subsidies from the U. S. Department of Housing and Urban Development designated for the payment of interest on the Student and Faculty Housing Auxiliary Revenue Bonds. During the fiscal year ending June 30, 2002, the University received a subsidy for this purpose in the amount of \$13,508.

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

Tuition fees for the fiscal year ended June 30, 2001 were

\$4,325,475 which results in a legal annual debt service limit at June 30, 2002 of \$3,892,927. This amount is equal to 90% of tuition fees for the prior fiscal year.

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

The series 1997B General Obligation Bonds maturing on and after June 1, 2008, are subject to redemption at the option of the State, in whole or in part, but if in part, in inverse chronological order of maturity, on and after June 1, 2007, and on all subsequent bond payment dates at the following redemption prices: June 1, 2007 and December 1, 2007 at 102 percent; June 1, 2008 and December 1, 2008 at 101 percent; June 1, 2009 and thereafter at par.

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

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

The Series 2000 Auxiliary Revenue Bonds maturing prior to May 1, 2010 shall not be subject to redemption; however,

## NOTES TO FINANCIAL STATEMENTS

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.

All of the bonds are payable in semiannual installments plus interest. Amounts including interest required to complete payment of the auxiliary revenue bonds and athletic facilities revenue bond obligations as of June 30, 2002, are as follows:

### Auxiliary and Athletic Facilities Revenue Bonds

Year Ending June 30	Principal	Interest	Total
2003	\$ 3,420,000	\$ 3,034,274	\$ 6,454,274
2004	3,595,000	2,875,518	6,470,518
2005	3,700,000	2,708,661	6,408,661
2006	3,890,000	2,536,855	6,426,855
2007	4,100,000	2,356,199	6,456,199
2008 through 2012	23,610,000	8,676,272	32,286,272
2012 through 2016	18,555,000	2,300,200	20,855,200
	<u>\$ 60,870,000</u>	<u>\$ 24,487,979</u>	<u>\$ 85,357,979</u>

Amounts including interest required to complete payment of the Plant Improvement bonds as of June 30, 2002, are as follows:

### Plant Improvement Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2003	\$ 590,000	\$ 269,583	\$ 859,583
2004	615,000	245,983	860,983
2005	635,000	220,768	855,768
2006	665,000	194,415	859,415
2007	690,000	166,485	856,485
2008 through 2011	3,080,000	352,710	3,432,710
	<u>\$ 6,275,000</u>	<u>\$ 1,449,944</u>	<u>\$ 7,724,944</u>

Amounts including interest required to complete payment of the General Obligation Bonds as of June 30, 2002, are as follows:

### General Obligation Bonds

Year Ending June 30	Principal	Interest	Total
2003	\$ 1,030,000	\$ 500,481	\$ 1,530,481
2004	1,080,000	448,556	1,528,556
2005	1,140,000	393,276	1,533,276
2006	1,200,000	334,311	1,534,311
2007	1,265,000	271,868	1,536,868
2008 through 2010	4,200,000	417,682	4,617,682
	<u>\$ 9,915,000</u>	<u>\$ 2,366,174</u>	<u>\$ 12,281,174</u>

In prior years the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the University's financial statements. At June 30, 2002, \$255,000 of bonds outstanding are considered defeased. The University was in compliance with all applicable bond covenants as of June 30, 2002.

The University reported principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 2002:

### Principal Retirements and Interest Expenditures

Bond Type	Principal	Interest
General Obligation Bonds	\$ 985,000	\$ 550,770
Plant Improvement Refunding Bonds	570,000	288,583
Auxiliary Revenue Bonds	2,445,000	2,271,266
Athletic Facilities Revenue Bonds	1,025,000	891,409
	<u>\$ 5,025,000</u>	<u>\$ 4,002,028</u>

### Arbitrage Liability Accrual

Arbitrage liability for the State Institution Bonds, Series 1997B is \$160,327. Ninety percent of the liability is required to be rebated to the federal government no later than 60 days after June 25, 2002.

### Certificates of Participation Payable — Discretely Presented Component Unit

In May 1990, Clemson Research Facilities Corporation entered into an agreement to issue \$5,186,862 of Certificates of Participation Series 1990. The certificates consist of \$3,370,000 of current interest serial certificates and \$1,816,862 of capital appreciation serial certificates with a total maturity value of \$5,560,000. The proceeds of the certificates were used to construct a research facility. The certificates represent

undivided proportionate interests in the lease rental payments to be made by Clemson University pursuant to a building lease agreement. The current interest serial certificates are payable annually through 2001 with interest ranging from 6.25 percent to 6.95 percent per annum. The capital appreciation serial certificates are payable annually through 2011 with yield to maturity ranging from 7.05 percent to 7.35 percent.

The certificates are secured by an absolute and unconditional obligation of Clemson University subject to an event of nonappropriation or an event of cancellation and pledged monies as provided by the trust agreement. The certificates provide for prepayments beginning on or after July 1, 1997 at prices ranging from 100 percent to 105 percent of the certificate principal amounts. The amount outstanding at June 30, 2002 totaled \$3,736,368.

### Certificates of Participation Payable

Year Ending June 30	Principal	Interest	Total
2003	\$ 266,344	\$ 238,656	\$ 505,000
2004	285,471	219,529	505,000
2005	306,236	198,764	505,000
2006	328,494	176,506	505,000
2007	352,654	152,346	505,000
2008 through 2011	2,197,169	327,831	2,525,000
	<u>\$ 3,736,368</u>	<u>\$ 1,313,632</u>	<u>\$ 5,050,000</u>

The scheduled payments for the maturity of the capital appreciation serial certificates total \$505,000 for the certificates that mature July 1, 2002 and each subsequent year through July 2011.

### Notes Payable

At June 30, 2002, notes payable consisted of the following:

### Notes Payable

	Interest	Maturity	Amount
First Union National Bank			
Note dated 1/30/98	4.796%	2/1/2005	\$ 154,910
Total			<u>\$ 154,910</u>

## NOTES TO FINANCIAL STATEMENTS

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

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

The aggregate debt service payments due on the notes payable at June 30, 2002 are as follows:

### Debt Service - Notes Payable

Year Ending June 30	Principal	Interest	Total
2003	\$ 49,210	\$ 6,846	\$ 56,056
2004	51,598	4,458	56,056
2005	54,102	1,954	56,056
Total Obligations	<u>\$ 154,910</u>	<u>\$ 13,258</u>	<u>\$ 168,168</u>

Total principal paid on notes payable was \$46,932 for the year ended June 30, 2002. Total interest expense for notes payable was \$8,186.

### NOTE 7. LEASE OBLIGATIONS

The University is obligated under various operating leases for the use of real property (land, buildings, and office space) 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, 2002, were as follows:

### Capital and Operating Lease Commitments

Year Ending June 30:	Real Property	
	Capital Leases	Operating Leases
2003	\$ 1,491,464	\$ 270,148
2004	1,491,431	169,463
2005	1,491,351	81,991
2006	1,491,351	81,991
2007	1,491,351	27,662
2008 through 2011	<u>2,334,189</u>	<u>—</u>
Total minimum lease payments	9,791,137	<u>\$ 631,255</u>
Less: Interest	2,217,909	
Less: Executory Costs	249,926	
Principal outstanding - Clemson University	<u>\$ 7,323,302</u>	

### Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2007 and 2011. Expenditures for fiscal year 2002 were \$1,479,693, of which \$565,795 represented interest and \$32,451 represented executory costs. Total principal paid on capital leases was \$881,447 for the fiscal year ended June 30, 2002. Interest rates range from 5.50 percent to 7.58 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2002:

Land	\$ 122
Buildings	13,908,588
Totals	<u>\$ 13,908,710</u>

Accumulated depreciation on the buildings at June 30, 2002 was \$4,631,576.

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 three capital leases with related entities in the current fiscal year. In June 1991, the University entered into a capital lease of \$5,186,861 at 7.58 percent with the Clemson Research Facilities Corporation (CRFC) a discretely presented component unit, whereby the University leases a building for a twenty year period that began June 1991, and expires June 2011. In March 1988, the University entered into a capital lease of \$925,000 at 7.57 percent with the Clemson University Research Foundation (CURF), a related party, whereby the University leases land and a building for a

twenty year period that began April 1988, and expires May 2008 (Note 13). The outstanding liability at June 30, 2002, on these capital leases is \$3,188,576 and \$415,423 respectively. The University at its option may terminate the lease and purchase CURF's interest for the unamortized principal balance and the payment of \$1. In December 1998, the University entered into a capital lease of \$2,792,453 at 5.50 percent with the Clemson University Research Foundation (CURF) whereby the University leases a building for a nine year period that began December 1998, and expires December 2007 (Note 13). The outstanding liability at June 30, 2002, on this capital lease is \$1,625,804. The University at its option may terminate the lease and purchase CURF's interest for the unamortized principal balance and the payment of \$1. If the Prime Rate is different than 7.33% on August 7, 2002, then the lease payments for fiscal year 2003 through 2007 will be computed at a rate of 75% of the Prime Rate as of August 7, 2002.

The University also has an additional capital real property lease with an unrelated party. In December 1986, the University entered into a capital lease of \$5,004,395 at 7.5 percent for a computer building whereby the University leases a building for a twenty-year period that began December 1987, and expires December 2007. The University may cancel the lease agreement at the end of any fiscal year when sufficient appropriations, revenues, income, grants or other funding sources are not available. The University has the option to purchase the property for the redemption price and the payment of \$1. However, in the event of cancellation, the University has agreed not to purchase, lease or rent similar facilities for one year following such cancellation. The University is responsible for all operating costs such as repairs, utilities and insurance for this lease. The outstanding liability at June 30, 2002 for this capital lease was \$2,093,499.

### Operating Leases

The University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2003 through 2007. 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 related party, for office space. The current lease extends through February, 2004. Under this agreement, the University paid CURF \$103,314 in the current year.

In 2000, the University entered into a real property operating lease with CURF, a related party, for office space. The current lease extends through June, 2003. Under this agreement, the University paid CURF \$38,147 in the current year.

In 2001, the University entered into a real property

operating lease with CURF, a related party, for office space. The current lease extends through July, 2006. Under this agreement, the University paid CURF \$29,333 in the current year.

Noncancellable operating lease expenditures in 2002 were \$347,357 for real property. The University reports these costs in functional expenditure categories.

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

## NOTE 8. RETIREMENT PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. 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

## NOTES TO FINANCIAL STATEMENTS

Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 10.40 percent which includes a 2.85 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, 2002, 2001, and 2000 were approximately \$10,964,000, \$10,830,000, and \$10,285,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$217,833 in the current fiscal year at the rate of .15 percent of compensation.

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

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 13.15 percent which, as for the SCRS, included a 2.85 percent surcharge. The University's actual

contributions to the PORS for the years ending June 30, 2002, 2001, and 2000, were approximately \$263,000, \$256,000, and \$236,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$5,112 and accidental death insurance contributions of \$5,112 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 limited to faculty and unclassified staff who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at



the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 2.85 from the employer in fiscal year 2002.

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 \$3,626,000 (excluding the surcharge) from the University as employer and \$2,882,000 from its employees as plan members. Employee contributions of 6 percent, and 5 percent of the employer contribution was remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the insurance companies.

#### **NOTE 9. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

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

basis

The University recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees in the amount of approximately \$14,163,000 for the year ended June 30, 2002. As discussed in Note 8, the University paid approximately \$5,581,000 applicable to the 2.85 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

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

#### **NOTE 10. DEFERRED COMPENSATION PLANS**

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE 11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2002 was as follows:

### Long Term Liabilities

	July 1, 2001	Additions	Reductions	June 30, 2002	Due Within One Year
<b>Clemson University</b>					
Bonds Payable, Notes Payable and Capital Lease Obligations:					
General Obligation Bonds	\$ 10,900,000	\$ —	\$ 985,000	\$ 9,915,000	\$ 1,030,000
Plant Improvement Bonds	6,845,000	—	570,000	6,275,000	590,000
Revenue Bonds	43,355,000	—	2,445,000	40,910,000	2,435,000
Athletic Facilities Revenue Bonds	20,985,000	—	1,025,000	19,960,000	985,000
Notes Payable	201,842	—	46,932	154,910	49,210
Capital Lease Obligations	8,204,749	—	881,447	7,323,302	942,614
<b>Total Bonds, Notes &amp; Capital Leases</b>	<b>90,491,591</b>	<b>—</b>	<b>5,953,379</b>	<b>84,538,212</b>	<b>6,031,824</b>
<b>Other Liabilities:</b>					
Accrued compensated absences	16,061,000	11,597,016	10,762,016	16,896,000	11,564,077
Funds held for others	6,237,323	315,233	121,521	6,431,035	—
Accounts and retainages payable	170,711	187,431	170,711	187,431	—
Arbitrage payable	153,021	7,306	—	160,327	160,327
<b>Total Other Liabilities</b>	<b>22,622,055</b>	<b>12,106,986</b>	<b>11,054,248</b>	<b>23,674,793</b>	<b>11,724,404</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 113,113,646</b>	<b>\$ 12,106,986</b>	<b>\$ 17,007,627</b>	<b>\$ 108,213,005</b>	<b>\$ 17,756,228</b>
<b>Clemson Research Facilities Corporation</b>					
Certificates of Participation Payable:					
Certificates of Participation Payable	\$ 3,990,100	\$ —	\$ 253,732	\$ 3,736,368	\$ 505,000
<b>Total Long-Term Liabilities</b>	<b>\$ 3,990,100</b>	<b>\$ —</b>	<b>\$ 253,732</b>	<b>\$ 3,736,368</b>	<b>\$ 505,000</b>

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. The balance in long-term "Accounts and retainages payable" represents amounts related to University construction projects that are not likely to be completed until after June 30, 2003.

## 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 plant 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 3 or 4 years at an estimated cost of \$189,244,394. This \$189,244,394 includes estimated costs of \$123,656,481 for capital projects currently in progress plus \$65,587,913 estimated costs for other capital projects already in service. Of the total estimated cost, \$73,406,236 was unexpended at June 30, 2002. Of the total expended through June 30, 2002, the University has capitalized substantially complete and in use projects in the amount of \$10,696,137. Of the unexpended balance the University has remaining commitment balances of \$30,071,710 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of June 30, 2002 was \$1,379,531.



Capital projects at June 30, 2002, 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
9518	Biosystems Research Complex	\$ 27,700,000	\$ 27,627,248
9527	Edisto Center Construction/Renovation	4,000,000	426,842
9672	Calhoun Mansion Renovations	2,150,000	1,729,350
9687	Littlejohn Coliseum/Annex	31,124,903	15,297,394
9694	Athletic Facilities Construction/Renovation	22,670,000	7,530,424
9695	Hardin Hall Renovations/Reconstruction	7,220,000	6,491,512
9715	Schilleter Hall Renovations	3,155,000	2,306,035
9749	Athletic Support Facility	500,000	222,113
9750	Fike Recreation/Wellness Center Renovations	21,050,000	5,736,424
9761	President's Park Improvements	294,000	219,886
9766	Memorial Stadium Field Upgrade	2,100,000	1,685,202
9767	Materials Research Facility Construction	675,863	614,122
9770	Rust Building Renovation	146,715	110,630
9773	Charleston Property - Land Acquisition	10,000	4,213
9776	Microcreamery	50,000	31,087
9780	Griffith Building Renovation	460,000	219,911
9793	Fraternity Dormitories Renovation	350,000	32,297
		<u>\$ 123,656,481</u>	<u>\$ 70,284,690</u>

The amount expended includes only capitalized project expenditures and capitalized interest on construction debt for projects less than 95% complete and not in service at June 30, 2002. No noncapitalized expenditures are included in these totals.

### Non-Capitalized

At June 30, 2002, 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 \$47,719,515. This amount includes costs incurred to date of \$18,230,021 and estimated costs to complete of \$29,489,494. The University has remaining commitment balances with certain parties related to these projects of \$714,045. Retainages payable on the non-capitalized projects as of June 30, 2002, was \$122,028. 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 its implementation of GASB Statement

No. 14, and annually, management 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. The Government Accounting Standards Board recently issued Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"*. With the change in the definition of component units some or all of these component units may meet the criteria of a component unit of the University requiring a discrete presentation in the University financial statements beginning in the fiscal year ending June 30, 2004.

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 Foundation

The Clemson University Foundation (Foundation) is a separately chartered corporation organized exclusively to promote the development and welfare of Clemson University in its educational and scientific purposes. The Foundation's activities are governed by its Board of Directors.

The Foundation transfers funds earmarked from private contributions to the University to support University programs, such as scholarships, fellowships, professorships, and research, and to reimburse the University for any purchases made by the Foundation. These transfers for fiscal year 2002, were recorded by the University as nonoperating gift revenues totaling \$9,742,327. The Foundation also reimbursed the University \$244,402 for salaries for time devoted by University employees to the Foundation, and transferred royalty payments totaling \$375,000.

Equipment donated by the Foundation to the University totaled \$153,615, and was recorded as capital grants and gifts

## NOTES TO FINANCIAL STATEMENTS

in the Statement of Revenues, Expenses and Changes in Net Assets. Also recorded as capital grants and gifts upon receipt were Foundation donations totaling \$249,709 for University building projects. As of June 30, 2002, the Foundation had remaining commitments of approximately \$1,500,000 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 (and related income) balances on deposit at the State Treasurer's Office to entities (like the Foundation) 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 \$47,740,222.

### **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.

The University performs research and development under performance agreements for CURF, and receives payment for all direct and indirect costs which are incurred in accordance with the terms of the performance agreements. Revenues totaling \$4,694,843 from CURF were recorded by the University in the Statement of Revenues, Expenditures and Changes in Net Assets as operating nongovernmental grants and contracts. Equipment donated by CURF to the University totaled \$17,154, and was recorded as capital grants and gifts. Grants and contracts receivable in the Statement of Net Assets includes \$1,732,528 due from CURF at June 30, 2002.

Also, the University made \$101,784 in capital lease payments to CURF for lease of a building and land and \$170,794 in operating lease payments for office space. (Note 7) CURF reimbursed the University \$262,825 for salaries for time devoted by University employees to the Clemson University Research Foundation.

### **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 for the fiscal year ending June 30, 2002, and did not significantly require the time or services of any University employees.

### **Clemson University Continuing Education and Conference Complex Corporation**

The Clemson University Continuing Education and Conference Complex Corporation (Finance Corporation), is a separately chartered corporation established in September, 1993, to construct, operate and manage the golf course and hotel components of the Clemson University Continuing

Education and Conference Complex. The Finance Corporation's actions are governed by its Board of Directors.

By July, 1998, both the golf course and hotel were completed (with no utilization of State funds) and in operation. The Finance Corporation reimbursed the University \$69,350 for salaries for time devoted by University employees to the Finance Corporation.

### **Clemson Advancement Foundation For Design and Building**

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

The Design & Building Foundation transfers funds to support University research and public service projects, and to reimburse academic support expenditures. Receipts from the Design & Building Foundation recorded as nonoperating gift revenues for the fiscal year ended June 30, 2002, were \$436,384. In addition, the University's financial statements reflect \$12,000 in expenditures to reimburse the Design & Building Foundation for academic support expenditures, and \$15,426 to reimburse maintenance and utilities costs incurred on the villa at the Charles E. Daniel Center for Building Research and Urban Studies in Genoa, Italy, which is owned by the Design & Building Foundation.

### **Clemson Engineering Foundation**

The Clemson Engineering Foundation is a separately chartered entity established to improve engineering education and Professional Engineering in South Carolina by furnishing financial and other assistance to the College of Engineering of Clemson University. The Engineering Foundation's actions are governed by its Board of Directors.

The entity had no transactions with the University for the fiscal year ending June 30, 2002, and did not significantly require time or services of any University employees.

### **South Carolina Research and Education Foundation**

The South Carolina Research and Education Foundation (SCUREF) was incorporated in November 1988 under the laws of the State of South Carolina. Its purpose is to operate as a support organization primarily to provide such assistance as may be requested by the University, the Medical University of South Carolina, South Carolina State University, and/or the University of South Carolina (collectively referred to as the "member universities") in their separate and joint efforts to perform research. During the fiscal year ending June 30, 2002, the University recorded \$1,333,568 in operating grant (mostly federal) revenues from SCUREF. Grants and contracts receivable in the Statement of Net Assets includes \$351,915 due from SCUREF at June 30, 2002.

## 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 1A of the 2001-02 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, 2002:

### State Appropriations

	Educational and General	Public Service	Total
Original appropriation	\$ 109,620,057	\$ 48,818,121	\$ 158,438,178
Less 4% reduction	(4,588,488)	(2,011,258)	(6,599,746)
Less 2.52 % reduction	(2,775,117)	(1,216,409)	(3,991,526)
State Budget and Control Board Allocations:			
Employee Base Pay Increases and Related Employee Benefits	2,975,144	1,463,332	4,438,476
Appropriation allocations from the State Commission on Higher Education:			
For Academic Endowment Match	725,395	—	725,395
For Performance Funding	415,604	—	415,604
For Clemson Agriculture Education Teachers - Teacher Recruitment	—	110,000	110,000
For Clemson Agriculture Education Teachers - Teacher Salary Supplements	—	57,180	57,180
Municipal Services	1,117,000	—	1,117,000
Films and Fibers	1,000,000	—	1,000,000
Appropriation transfer to the Medical University of South Carolina (MUSC) for: Agromedicine	—	(257,538)	(257,538)
Total State Appropriation Revenues	\$ 108,489,595	\$ 46,963,428	\$ 155,453,023

The University received substantial funding from the Commission on Higher Education ("CHE") for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from CHE are accounted for as both operating and nonoperating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The University also receives State funds from various other State agencies for sponsored research and public service projects. Following is a summary of amounts received from State agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2002:

### Other Amounts Received from State Agencies

	Operating Revenues	Nonoperating Revenues	Capital Improvement Bond Revenues	Total
Received from the Commission on Higher Education (CHE):				
LIFE Scholarships	\$ 9,976,147	\$ —	\$ —	\$ 9,976,147
Palmetto Scholarships	4,515,427	—	—	4,515,427
Need-Based Grants	1,280,381	—	—	1,280,381
University Center	623,620	—	—	623,620
Access and Equity Competitive Grants	—	90,774	—	90,774
Various other amounts received from CHE	376,723	373,649	—	750,372
Received from EPSCOR	430,059	1	—	430,060
Received from SCUREF	40,369	—	—	40,369
Received from the Department of Education	668,914	—	—	668,914
Received from various other state agencies	1,973,219	—	—	1,973,219
Capital improvement bond revenues	—	—	12,482,232	12,482,232
	\$ 19,884,859	\$ 464,424	\$ 12,482,232	\$ 32,831,515

The University provided no significant services free of charge to any State agency during the fiscal year; however, the University did provide computer services and information systems development for a fee to other State agencies during the fiscal year. Total fees received were \$9,326,619, comprised of \$3,717,718 in fees for computer services classified as other

operating revenues, and \$5,608,901 in information and systems development fees classified as sales and services of auxiliary enterprises.

Also, the University collected and remitted \$378,588 in fertilizer taxes, seed certification and pesticide registration fees to the State General Fund.

## NOTES TO FINANCIAL STATEMENTS

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 2002 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:

- (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;
- (4) Robbery and safe burglary;
- (5) Premises burglary;
- (6) Computer fraud; and
- (7) Premises theft.

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

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

## NOTES TO FINANCIAL STATEMENTS

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, 2002, based on the requirements of GASB Statement No. 10 and No. 30, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2002, 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 or the operations of the University. Therefore, an estimated liability has not been recorded.

The various federal programs administered by the University for fiscal year 2002 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 or the operations of the University. Therefore, an estimated loss has not been recorded.

### NOTE 17. OPERATING EXPENSES BY FUNCTION

#### Operating Expenses by Function

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 96,686,142	\$ 15,747,271	\$ 802,458	\$ 109,599	\$ —	\$ 113,345,470
Research	67,446,582	25,151,162	991,913	363,084	—	93,952,741
Public Service	41,111,461	14,207,228	1,189,746	—	—	56,508,435
Academic Support	23,117,823	5,095,047	598,464	—	—	28,811,334
Student Services	8,409,766	4,709,523	159,806	—	—	13,279,095
Institutional Support	14,222,624	2,804,399	259,922	—	—	17,286,945
Operation and Maintenance of Plant	17,052,990	7,235,664	3,877,364	—	—	28,166,018
Scholarships and Fellowships	34	65,586	—	8,616,791	—	8,682,411
Auxiliary Services	24,199,695	33,305,582	4,126,709	—	—	61,631,986
Depreciation	—	—	—	—	19,158,248	19,158,248
Total	<u>\$ 292,247,117</u>	<u>\$ 108,321,462</u>	<u>\$ 12,006,382</u>	<u>\$ 9,089,474</u>	<u>\$ 19,158,248</u>	<u>\$ 440,822,683</u>

Operating expenses by functional classification for the year ended June 30, 2002 are summarized as follows:

### NOTE 18. SUBSEQUENT EVENTS

On July 16, 2002, \$22,165,000 in General Obligation Bonds, Series 2002B, were sold and delivered on July 30<sup>th</sup>. These fifteen year bonds are general obligations of the State of South Carolina and are secured as to principal and interest by a pledge of the full faith, credit and taxing power of the State, and in addition, are secured by a pledge of the tuition and matriculation fees received by Clemson University. The bonds were issued to obtain funds (i) to defray a portion of the costs for making certain improvements to the Fike Recreation/Wellness Center, to include the addition of approximately 60,000 square feet for new basketball courts, the redesign and reconstruction of men's and women's locker rooms, and the renovation of the historic field house, and, in addition, renovating various on-campus facilities to house activities being displaced by the Fike project, (ii) to replace the entire roofing system for Littlejohn Coliseum, including the structural steel, roof deck and built-up roof, and (iii) to pay the costs of issuance of the Bonds.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 19. DONOR-RESTRICTED ENDOWMENTS

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

In accordance with the spending policy adopted by the Clemson University Board of Trustees in 1998, endowment-derived program expenditures are based on the endowment carrying value from the previous year at a percentage set by the Board. For fiscal year 2002, this rate was 4.75%. At June 30, 2002, net appreciation of \$600,833 is available to be spent, and is reported in the Statement of Net Assets as restricted for expendable scholarships and fellowships.

### NOTE 20. DETAILS OF RESTRICTED ASSETS

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

	Clemson University	Clemson Research Facilities Corporation
Cash and Cash Equivalents:		
Current:		
As specified by sponsors/donors	\$ 13,906,533	\$ —
University administered loans	1,051,152	—
Payment of maturing debt	2,843,383	—
Bond proceeds and other amounts restricted for capital projects	18,881,443	—
Funds held for others	1,369,435	—
Total Current	<u>\$ 38,051,946</u>	<u>\$ 0</u>
Noncurrent:		
Endowments	\$ 9,222,694	\$ —
Federal Perkins Loan Program	890,925	—
Payment of maturing debt	—	547,800
Total noncurrent	<u>\$ 10,113,619</u>	<u>\$ 547,800</u>
Student Loans Receivable:		
Federal Perkins Loan Program	<u>\$ 6,874,376</u>	<u>\$ 0</u>

### NOTE 21. ACCOUNTING CHANGES

As a state agency, the University was required to adopt a capitalization limit of \$5,000 for movable personal property (including library materials) and \$100,000 for depreciable land improvements, buildings and improvements, and intangible assets, as of July 1, 2001. As a result of the change in asset capitalization policy, the University removed capitalized assets on hand at July 1, 2001, which did not meet the new capitalization levels.

As a result of the adoption of GASB Statements No. 34 and 35, as discussed in Note 1, the University was also required to make certain changes in accounting principles, specifically (1) adoption of depreciation on capital assets and (2) recognizing cash received in advance for operating grants and contracts as deferred revenue and (3) recognizing the federal capital contributions for the Perkins Loan program that are ultimately refundable as a liability and (4) adjusting for previously recognized, but unearned, capital improvement bond proceeds and (5) accounting for Federal PLUS loans as funds held for others instead of as operating transactions.

In previous years, the IPTAY Scholarship Fund was identified as a component unit blended in the University's financial statements using the criteria that it would be misleading to exclude the financial activity from the University's financial statements. Upon consideration, it has been determined that the IPTAY Scholarship Fund, an unincorporated association, lacks certain corporate powers that Clemson University holds on its behalf, and is, in fact, part of the primary entity and is not a component unit of the University. This determination does not impact current or previously issued financial statements.



## NOTES TO FINANCIAL STATEMENTS

The University has restated its beginning net assets as of July 1, 2001, for the above accounting changes, which are disclosed in the following schedule.

### Accounting Changes

Net Assets, July 1, 2001, as previously reported	\$ 695,712,898
Restatement adjustments:	
Previously capitalized library materials valued less than \$5,000	(53,313,662)
Previously capitalized buildings valued less than \$100,000 (net of accumulated depreciation)	(2,103,664)
Accumulated depreciation of capital assets	(227,368,317)
Cash advance for operating grants and contracts	(4,572,295)
Capital Improvement Bond proceeds revenue	(33,896,515)
Perkins Loan Program Federal Capital Contributions	(6,237,320)
Federal PLUS loan balance	11,482
Net Assets, July 1, 2001, as restated	<u>\$ 368,232,607</u>

### NOTE 22. 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 the 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

	Clemson University	Clemson Research Facilities Corporation	Total
Charges for services	\$ 184,102,749	\$ 310,007	\$ 184,412,756
Operating grants and contributions	117,765,909	—	117,765,909
Capital grants and contributions	14,346,586	—	14,346,586
Less: expenses	(432,790,414)	(301,809)	(433,092,223)
Net program revenue (expense)	(116,575,170)	8,198	(116,566,972)
Transfers:			
State appropriations (general)	155,453,023	—	155,453,023
Less: transfers out to state agencies/funds	(418,461)	—	(418,461)
Total transfers	155,034,562	—	155,034,562
Change in net assets	38,459,392	8,198	38,467,590
Net assets - beginning (as restated)	368,232,607	113,974	368,346,581
Net assets - ending	406,691,999	122,172	406,814,171





*Statistical Section*

# SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30,			
	(amounts expressed in thousands)		(percent of total revenue)	
	2002	2001	2002	2001
<b>Revenues</b>				
<b>Operating Revenues:</b>				
Student Tuition and Fees (net of scholarship allowances)	\$ 94,062	\$ 82,737	20.6%	18.1%
Federal Grants and Contracts	51,222	43,783	11.2%	9.6%
State Grants and Contracts	19,885	20,090	4.3%	4.4%
Local Grants and Contracts	1,103	837	0.2%	0.2%
Nongovernmental Grants and Contracts	8,656	7,100	1.9%	1.6%
Sales and Services of Educational and Other Activities	9,481	7,757	2.1%	1.7%
Sales and Services of Auxiliary Enterprises (net of scholarship allowances)	62,312	63,617	13.6%	13.8%
Other Operating Revenues	11,209	10,356	2.5%	2.3%
<b>Total Operating Revenues</b>	<u>257,930</u>	<u>236,277</u>	<u>56.4%</u>	<u>51.7%</u>
<b>Non Operating Revenues:</b>				
State Appropriations	155,453	165,918	34.0%	36.3%
Federal Appropriations	9,772	16,260	2.1%	3.6%
Gifts	26,892	30,318	5.9%	6.6%
Interest Income	7,405	8,048	1.6%	1.8%
Endowment Income	(1,788)	(439)	-0.4%	-0.1%
Other Non Operating Revenues	1,423	519	0.4%	0.1%
<b>Total Non Operating Revenues</b>	<u>199,157</u>	<u>220,624</u>	<u>43.6%</u>	<u>48.3%</u>
<b>Total Revenues</b>	<u>\$ 457,087</u>	<u>\$ 456,901</u>	<u>100.0%</u>	<u>100.0%</u>

**Note:** Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only FY 2002 and FY 2001 information is available.

**Source:** Clemson University Financial Statements.

## SCHEDULE OF EXPENSES BY USE

	For the Year Ended June 30,			
	(amounts expressed in thousands)		(percent of total expenses)	
	2002	2001	2002	2001
<b>Expenses:</b>				
<b>Operating Expenses:</b>				
Compensation and Employee Benefits	\$ 292,247	\$ 271,332	67.5%	63.1%
Services and Supplies	108,322	113,665	25.0%	26.4%
Utilities	12,006	11,198	2.8%	2.6%
Depreciation	19,158	18,694	4.4%	4.4%
Scholarships and Fellowships	9,090	9,268	2.1%	2.2%
<b>Total Operating Expenses</b>	<b>440,823</b>	<b>424,157</b>	<b>101.8%</b>	<b>98.7%</b>
<b>Non Operating Expenses:</b>				
Interest on Capital Asset Related Debt	4,300	3,979	1.0%	0.9%
Gain/Loss on Disposal of Capital Assets	(12,621)	1,226	(2.9)%	0.3%
Refunds to Grantors	289	340	0.1%	0.1%
<b>Total Non Operating Expenses</b>	<b>(8,032)</b>	<b>5,545</b>	<b>(1.8)%</b>	<b>1.3%</b>
<b>Total Expenses</b>	<b>\$432,791</b>	<b>\$ 429,702</b>	<b>100.0%</b>	<b>100.0%</b>

## SCHEDULE OF EXPENSES BY FUNCTION

	For the Year Ended June 30,			
	(amounts expressed in thousands)		(percent of total expenses)	
	2002	2001	2002	2001
<b>Expenses:</b>				
Instruction	\$ 113,345	\$ 106,673	26.2%	24.8%
Research	93,953	87,659	21.7%	20.4%
Public Services	56,508	56,571	13.0%	13.2%
Academic Support	28,811	22,749	6.7%	5.3%
Student Services	13,279	11,860	3.1%	2.8%
Institutional Support	17,287	17,983	4.0%	4.2%
Operation and Maintenance of Plant	28,167	28,529	6.5%	6.6%
Scholarships and Fellowships	8,682	8,894	2.0%	2.1%
Auxiliary Enterprises	61,633	64,545	14.2%	15.0%
Interest on Capital Debt	4,300	3,979	1.0%	0.9%
Depreciation	19,158	18,694	4.4%	4.3%
Gain/Loss on Disposal of Capital Assets	(12,621)	1,226	(2.9)%	0.3%
Refunds to Grantors	289	340	0.1%	0.1%
<b>Total Expenses</b>	<b>\$ 432,791</b>	<b>\$ 429,702</b>	<b>100.0%</b>	<b>100.0%</b>

**Note:** Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only FY 2002 and FY 2001 information is available.

**Source:** Clemson University Financial Statements.

## UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

At Doctoral-Level Public Institutions

Last ten years

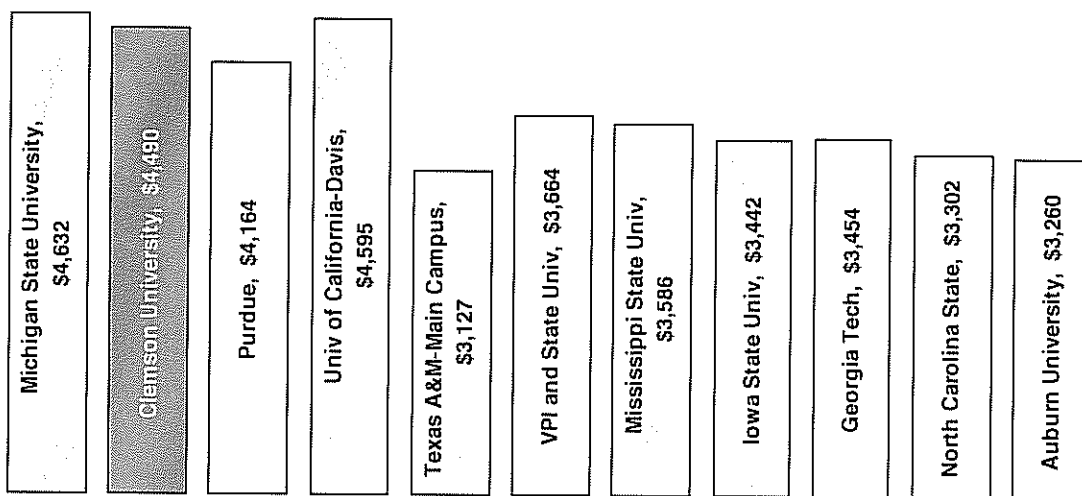
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Institution - Resident</b>										
Michigan State University	\$4,632	\$4,256	\$4,120	\$4,032	\$3,944	\$3,834	\$3,725	\$4,409	\$4,260	\$3,876
<b>Clemson University</b>	<b>4,490</b>	<b>3,590</b>	<b>3,470</b>	<b>3,344</b>	<b>3,252</b>	<b>3,112</b>	<b>3,112</b>	<b>3,036</b>	<b>2,954</b>	<b>2,762</b>
Purdue	4,164	3,872	3,724	3,564	3,352	3,208	3,056	2,884	2,696	2,520
Univ of California-Davis	4,595	4,072	4,034	4,153	4,332	4,262	4,174	4,099	3,712	2,980
Texas A & M	3,127	2,809	2,640	2,419	2,337	1,977	2,011	1,653	1,526	1,465
VPI and State University	3,664	3,640	3,620	4,305	4,147	4,131	4,087	3,951	3,812	3,538
Mississippi State Univ	3,586	3,117	3,017	3,017	2,731	2,631	2,591	2,561	2,474	2,473
Iowa State Univ	3,442	3,132	3,004	2,874	2,766	2,666	2,574	2,471	2,352	2,228
Georgia Tech	3,454	3,308	3,108	2,991	2,901	2,685	2,457	2,343	2,265	2,205
North Carolina State	3,302	2,814	2,414	2,364	2,200	2,200	1,732	1,584	1,389	1,318
Auburn University	3,260	3,050	2,895	2,760	2,565	2,355	2,250	2,100	1,950	1,755

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Institution - Non Resident</b>										
Michigan State University	\$11,310	\$10,388	\$10,042	\$9,806	\$9,596	\$9,486	\$9,209	\$10,994	\$10,620	\$9,648
<b>Clemson University</b>	<b>11,284</b>	<b>9,784</b>	<b>9,456</b>	<b>9,100</b>	<b>8,676</b>	<b>8,316</b>	<b>8,316</b>	<b>8,116</b>	<b>7,896</b>	<b>7,380</b>
Purdue	13,872	12,904	12,348	11,784	11,184	10,636	10,128	9,556	8,848	8,192
Univ of California-Davis	15,669	14,686	14,208	13,727	13,316	12,656	11,873	11,798	11,411	10,679
Texas A & M	8,191	7,969	7,824	7,531	7,473	7,113	6,619	5,943	5,606	5,605
VPI and State University	12,488	12,128	11,844	11,521	11,111	10,783	10,739	10,404	9,680	8,986
Mississippi State Univ	8,125	7,065	6,119	6,119	5,551	5,451	5,411	5,021	4,933	4,432
Iowa State Univ	10,776	9,974	9,564	9,152	8,808	8,480	8,192	7,731	7,386	6,996
Georgia Tech	12,350	10,826	10,350	9,921	9,621	8,946	7,638	6,933	6,765	6,531
North Carolina State	13,294	11,980	11,580	11,530	10,732	10,732	9,848	9,110	8,431	7,902
Auburn University	9,780	9,150	8,685	8,280	7,695	7,065	6,750	6,300	5,850	5,265

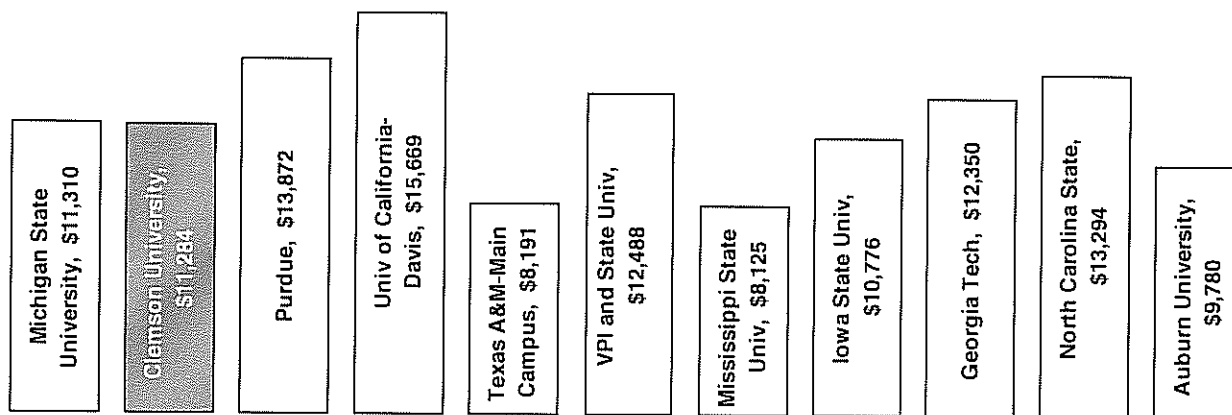
Source: University of Wyoming - telephone surveys, mail surveys, and web sites.

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

### Undergraduate Tuition and Fees - Resident - 2002



### Undergraduate Tuition and Fees - Non Resident - 2002



## SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years  
(amounts in thousands)

### State Institution Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2002	\$4,843	\$4,843	\$ 985	\$555	\$ 1,540	3.14
2001	4,325	4,325	930	608	1,538	2.81
2000	3,568	3,568	875	658	1,533	2.33
1999	2,983	2,983	835	704	1,539	1.94
1998	2,880	2,880	790	747	1,537	1.87
1997	2,826	2,826	365	353	718	3.94
1996	2,789	2,789	1,095	422	1,517	1.84
1995	2,797	2,797	920	278	1,198	2.33
1994	2,574	2,574	870	330	1,200	2.15
1993	1,326	1,326	790	392	1,182	1.12

### Plant Improvement Bonds

Fiscal Year Ended June 30,	Special Student Fee	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2002	\$ 1,177	\$ 1,177	\$570	\$292	\$862	1.37
2001	1,204	1,204	515	324	839	1.43
2000	1,114	1,114	485	354	839	1.33
1999	1,160	1,160	390	428	818	1.42
1998	1,134	1,134	370	327	697	1.63
1997	1,108	1,108	345	571	916	1.21
1996	1,099	1,099	330	591	921	1.19
1995	1,062	1,062	310	609	919	1.16
1994	1,075	1,075	295	625	920	1.17
1993	2,192	2,192	280	640	920	2.38

(a) No revenue bonds were outstanding on the existing bond resolution in earlier years.

(b) Athletic Facilities Revenue Bonds, Series 2001, were delivered on 6/29/2001.

Source: Clemson University Office of Fiscal Affairs.

### Athletic Facilities Revenue Bonds

Fiscal Year Ended June 30,	Net Athletic Revenues	Special Student Fee	Admissions Fee	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
					Principal	Interest	Total	
2002	\$2,527	\$0	\$833	\$3,360	\$1,025	\$823	\$1,848	1.82
2001 (b)	1,088	0	771	1,859	0	0	0	1.00

### Revenue Bonds

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2002	\$10,760	\$10,760	\$2,445	\$2,290	\$4,735	2.27
2001	9,116	9,116	2,340	2,398	4,738	1.92
2000	8,437	8,437	2,340	1,235	3,575	2.36
1999	6,848	6,848	2,325	1,339	3,664	1.87
1998 (a)	7,392	7,392	1,395	467	1,862	3.97



# ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

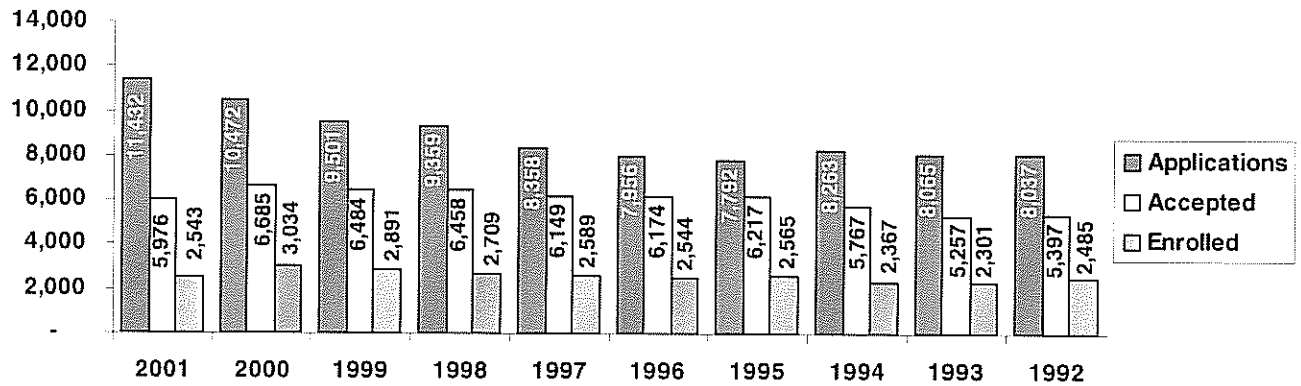
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
<b>Admissions-Freshman</b>										
Accepted as a Percentage of Applications	52.3%	63.8%	68.2%	69.0%	73.6%	77.6%	79.8%	69.8%	65.2%	67.2%
Enrolled as a Percentage of Accepted	42.6%	45.4%	44.6%	41.9%	42.1%	41.2%	41.3%	41.0%	43.8%	46.0%
SAT Scores-Total	1,191	1,172	1,158	1,145	1,140	1,128	1,042	1,048	1,052	1,037
Verbal	584	575	569	564	577	557	483	485	487	479
Math	607	597	589	581	563	571	559	563	565	558
South Carolina										
Average SAT Score-Total	974	966	954	951	955	954	844	838	838	831

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
<b>Enrollment</b>										
Undergraduate and Graduate FTE	15,800	16,053	15,685	15,258	15,087	14,978	14,847	15,148	15,588	16,618
Undergraduate and Graduate Headcount	17,101	17,465	16,982	16,685	16,396	16,526	16,318	16,290	16,614	17,666
Percentage of Men	54.6%	53.8%	54.1%	53.1%	53.0%	53.6%	53.8%	54.5%	55.7%	56.4%
Percentage of Women	45.4%	46.2%	45.9%	46.8%	47.0%	46.4%	46.2%	45.5%	44.3%	43.6%
Percentage of Black	7.4%	7.1%	7.3%	6.9%	7.5%	7.6%	7.7%	8.0%	8.0%	7.4%
Percentage of White	85.0%	85.8%	85.5%	86.2%	86.0%	85.9%	86.1%	85.3%	85.4%	85.9%
Percentage of Other	7.6%	7.1%	7.2%	6.7%	6.5%	6.5%	6.3%	6.7%	6.6%	6.7%

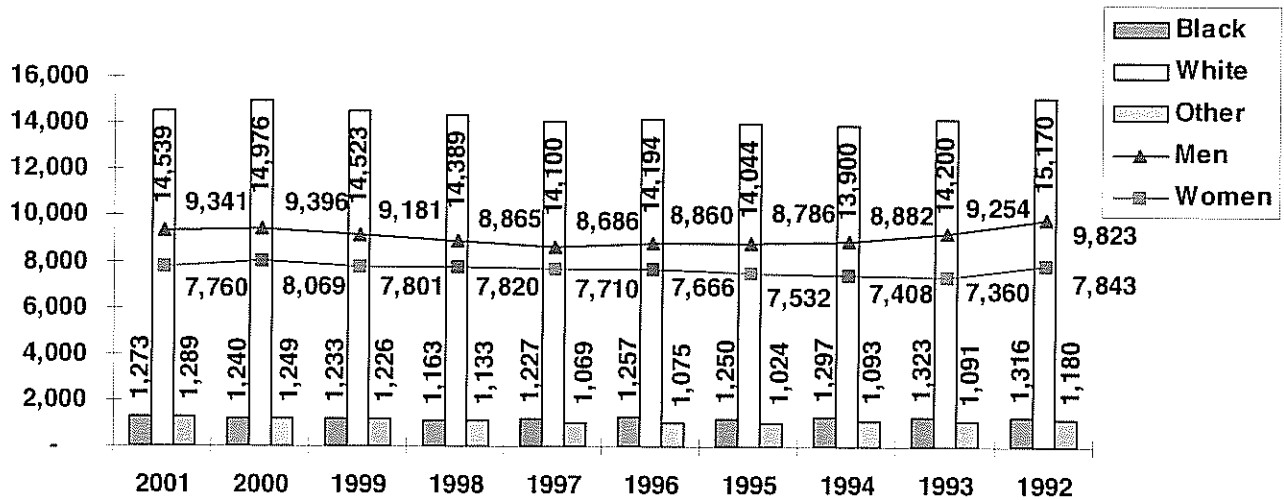
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
<b>Degrees Earned</b>										
Bachelor's	2,823	2,725	2,565	2,531	2,463	2,530	2,513	2,466	2,735	2,807
Master's	764	887	795	896	910	926	989	1,082	1,166	1,089
Doctoral	121	100	114	116	110	90	125	96	116	98

Source: Clemson University Office of Institutional Research

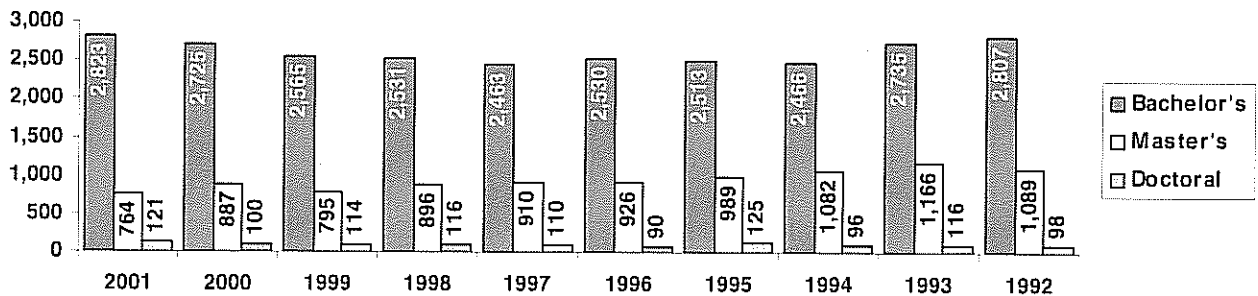
### Freshman Applied, Accepted and Enrolled



### Headcount Total

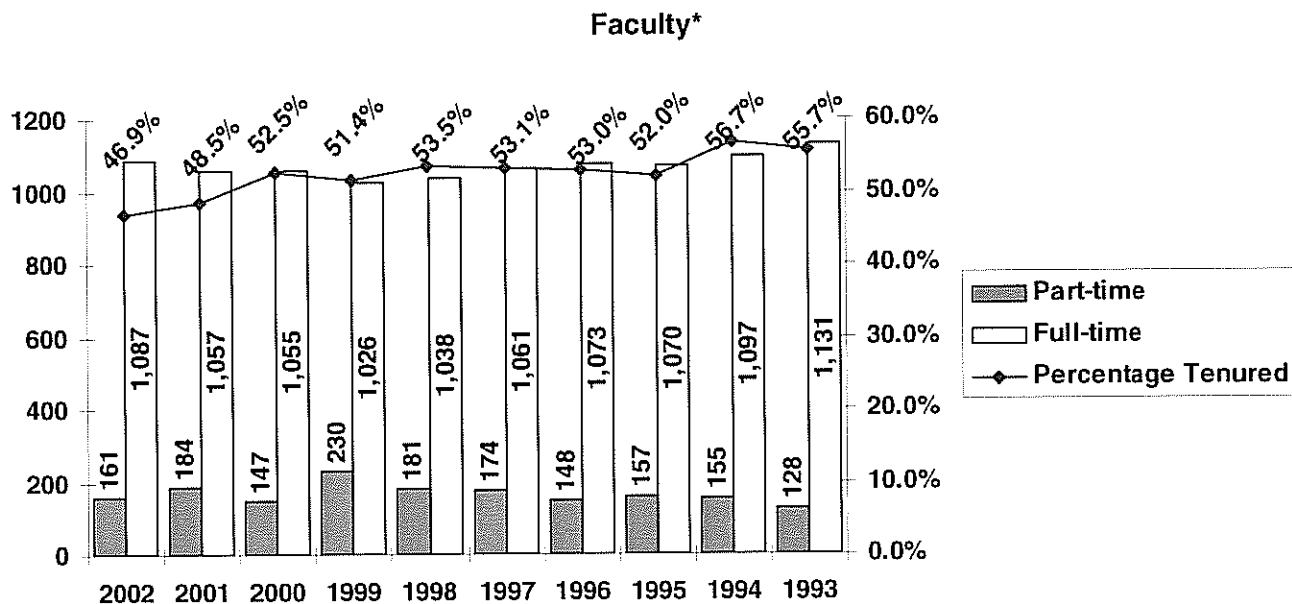


### Degrees Earned



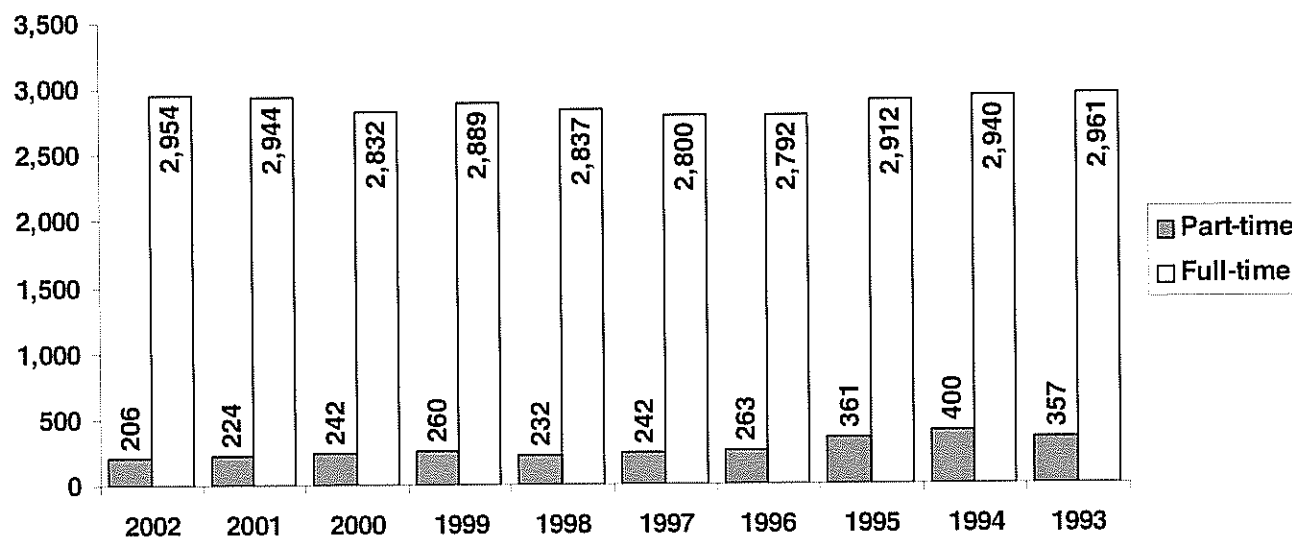
# FACULTY, STAFF AND ADMINISTRATORS STATISTICS

Last Ten Fiscal Years



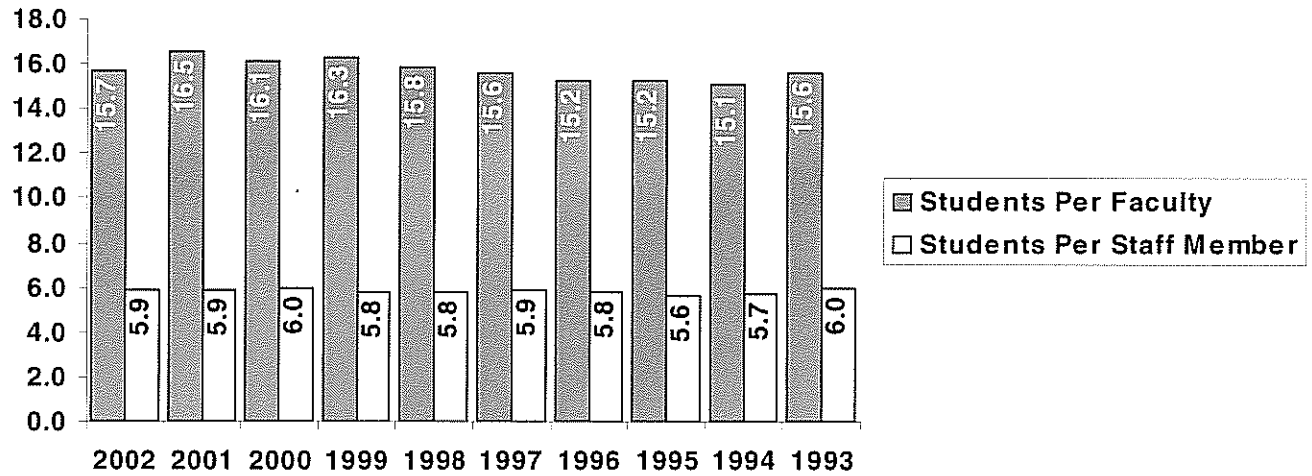
\*IPEDS definition of Instructional Faculty.

## Full-Time and Part-Time Staff

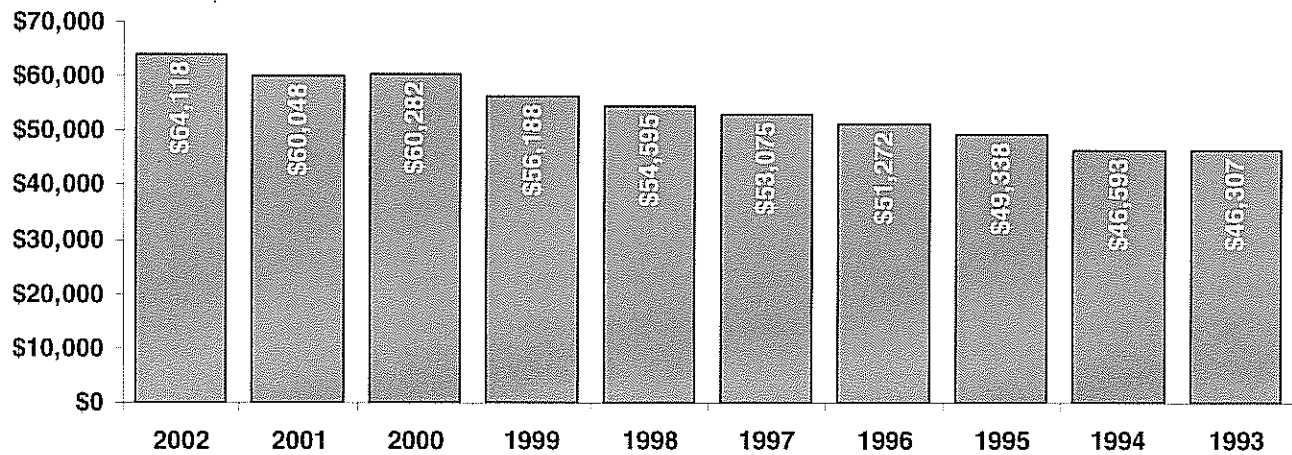


Source: Clemson University Office of Institutional Research.

### Students Per Faculty/Staff



### Average Annual Faculty Salary



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

*Prepared by:*  
*Comptroller's Office*  
*Administrative Services Building*  
*P.O. Box 345321*  
*Clemson, SC 29634-5321*  
*Tel: (864) 656-2808 FAX: (864) 656-5600*

*Charles Tegen, Comptroller*  
*Steve Crump, Associate Comptroller*