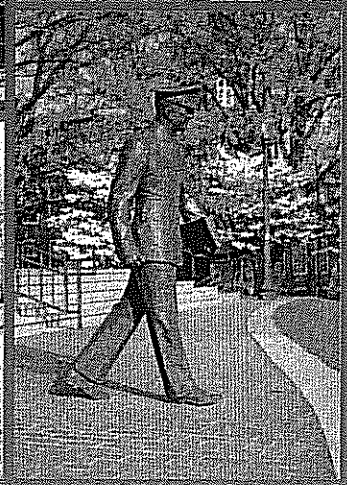
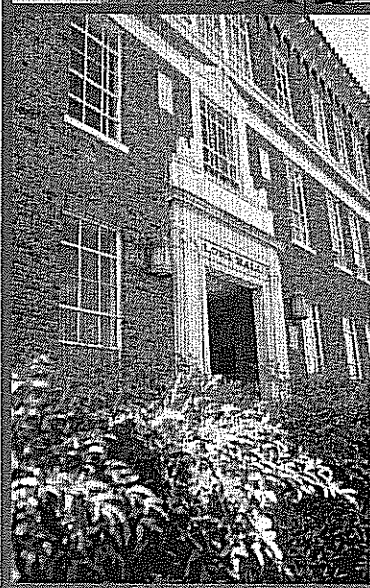
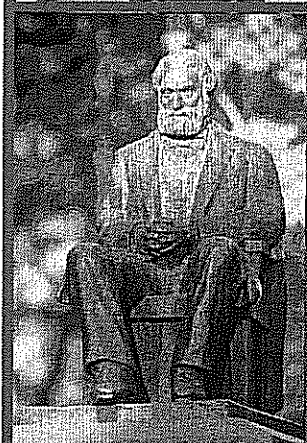
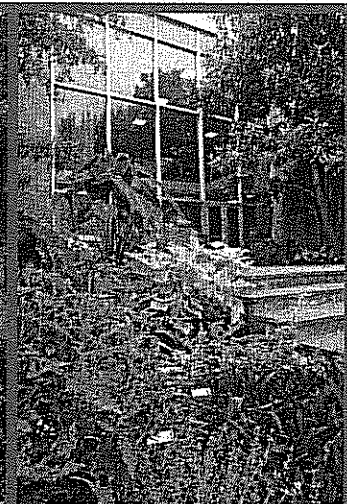
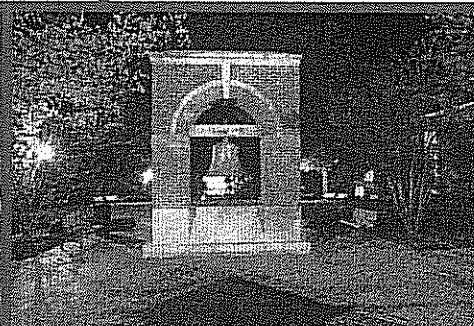
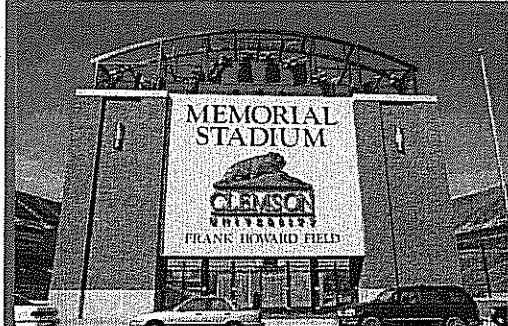




# CLEMSON

## 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, 2003*



# *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, 2003*

*Prepared by the Comptrollers Office*

# CLEMSON

## UNIVERSITY

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## *Introductory Section*



## *President's Letter*

Dear Friends of Clemson:

Clemson University is committed to providing a high quality academic experience for young people, with priority to South Carolinians, and to helping meet the needs of the state's families, communities, and businesses and industries through research and public service.

Although we are not exempt from the financial pressures facing many institutions across the country, Clemson is making considerable progress by increasing administrative efficiencies, setting priorities, and focusing on core strengths. Signs of improvement in the quality of the Clemson experience are abundant.

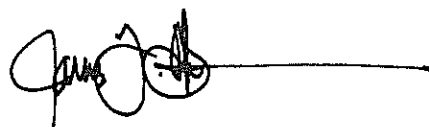
We are hiring and retaining outstanding young faculty, and we continue to attract an equally impressive student body.

We have identified eight emphasis areas in which we plan to build nationally prominent programs, and these emphasis areas are directly aligned with South Carolina's industrial sectors and economic development needs.

We have renovated many academic facilities and laboratories, increased the number of "smart" classrooms, and just reopened a newly renovated student recreation and wellness center.

This progress is recognized by those who "rank" universities. U.S. News and World Report ranks Clemson 35<sup>th</sup> among all public doctoral universities, while Kiplinger's Magazine ranks us 20<sup>th</sup>.

This report will show that, despite budget pressures, Clemson University continues to fulfill its mission and obligation to the people of South Carolina and make significant progress toward becoming one of the nation's best public universities.



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, 2003

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, 2003. 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, 2003, and other information useful to those we serve and to those to whom we are accountable. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information is accurate in all material respects and fairly presents the University's financial position, as well as revenues, expenses, changes in net assets and cash flows.

The Comprehensive Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 2003. The report is organized into three sections.

The *Introductory Section* includes the transmittal letter, a University overview and the Certificate of Achievement of Excellence in reporting awarded to the University for the year ended June 30, 2002. Also included is a listing of the University Board of Trustees and an organization chart. This section is intended to acquaint the reader with the organization, structure and scope of operations of the University.

The *Financial Section* presents the basic financial statements, management's discussion and analysis and the report of the independent external auditors. The basic financial statements are prepared in accordance with generally accepted

accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board.

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

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

Clemson University is promoted and supported through activities of other affiliated entities, the Clemson University Foundation and the Clemson University Research Foundation. 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.

In previous years the Clemson Research Facilities Corporation (CRFC) was identified as a component unit and presented in a discrete column of the financial statements. Upon further review of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the University decided that CRFC does not meet the criteria for inclusion and should no longer be included in the reporting entity.



### FINANCIAL AFFAIRS

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

## MAJOR INITIATIVES

In 2001, Clemson University adopted a set of ten year goals aimed at making the school one of the nation's best public universities. Despite substantial state budget cuts since then, Clemson remains committed to improving the quality of its academic, research and public service programs.

In fact, 2002-2003 saw significant gains in financial support from the Legislature, private donors, and research partners.

The South Carolina General Assembly demonstrated its support for Clemson and its sister research universities through three measures:

- The Research Centers of Excellence Act, which set aside \$30 million in lottery funding for endowed chairs in areas related to economic development and has provided \$15 million for Clemson programs;
- The Economic Development Incentive Bond Act, which will provide \$25 million for a new graduate engineering center that is tied to the expansion of one of the state's leading employers, BMW Manufacturing of South Carolina;
- Legislation to provide regulatory relief and research infrastructure funding, which was approved in the House of Representatives and will be considered by the Senate in 2004.

Recent months also have brought some of Clemson's largest and most significant private gifts and research grants, including:

- \$10 million from BMW to provide required matching funds for lottery endowed chairs in automotive engineering;
- \$10 million from Darla Moore and Richard Rainwater to endow and expand programs in the School of Education, now named for Ms. Moore's father, Eugene T. Moore;
- \$6.9 million from John W. Walker to endow and name the School of Economics;
- \$7 million in external research funding from federal grants and contracts for the Clemson University Genomics Institute;
- \$5.7 million in external research funding for the Center for Optical Materials Science and Engineering Technologies, which is helping South Carolina build a photonics industry cluster.

In 2002 and 2003, Clemson continued to refine and expand its academic plan by identifying eight emphasis areas in which the university intends to build nationally recognized programs. Emphasis areas were selected because of existing faculty strength and interest, opportunities for external funding, and alignment with South Carolina's economic development needs. The eight areas are:

- Advanced Materials
- Automotive and Transportation Technology
- Biotechnology and Biomedical Science
- Family and Community Living
- General Education

- Information and Communications Technology
- Leadership and Entrepreneurship
- Sustainable Environment

Signs of improving quality at Clemson are readily apparent. The university's accreditation with the Southern Association of Schools and Colleges was reaffirmed with no required follow-up and two commendations. Clemson is attracting outstanding young faculty, many of whom have recently received such prestigious awards as National Science Foundation Career Awards, Guggenheim and Fulbright Fellowships, and awards from the National Endowment for the Humanities.

The student body is equally impressive. The freshman class has an average SAT over 1200. Of the 29 graduates of the Governor's School of Math and Science who are attending college in state, 20 will be studying at Clemson. Last year, three Clemson students earned Goldwater Scholarships. The most an institution can win in a single year is four.

Facilities projects under way or recently completed include renovations to historic Fort Hill (the former home of John C. Calhoun and founder Thomas Green Clemson), Advanced Materials Research Lab, Hardin Hall, and Fike Student Wellness and Recreation Center, construction of an addition to McAdams Hall to house Computer Science, as well as enhancements to athletics facilities such as Littlejohn Coliseum, Kingsmore Baseball Stadium, a new indoor track facility, and Clemson Memorial Stadium.

## FINANCIAL INFORMATION

### Internal Control Structure and Budgetary Control

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

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

The State Budget and Control Board requires the University to submit an annual balanced budget for both its Educational and General and Extension and Public Service components. Each recognized college or budget center of the



University is provided with a level of appropriation. This appropriation limits total annual expenditures. Budgetary controls are incorporated into both the University's accounting system and the State's financial management system to ensure that imposed expenditure constraints are observed. Periodic financial reports comparing actual results with budgeted amounts are provided at both the University and State level.

### **Debt Administration**

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

### **Cash Management**

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

### **Risk Management**

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

## **OTHER INFORMATION**

### **Audits**

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the fiscal year ended June 30, 2003, 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 three years. Additionally, Clemson University internal auditors perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with you, the Board of Trustees, and the University's management.

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clemson University for its comprehensive annual financial report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

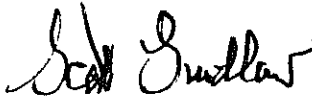
In order to be awarded a Certificate of Achievement a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable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

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

### **Acknowledgements**

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

Sincerely,



Scott Ludlow  
*Chief Business Officer*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Clemson University,  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

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



President

Executive Director

# CLEMSON UNIVERSITY BOARD OF TRUSTEES

## TRUSTEES

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

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

Lawrence M. Gressette, Jr.  
SCANA Corporation

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.

Robert L. Peeler  
Bob Peeler and Associates LLC

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

Joseph D. Swann  
President, Rockwell Automation Power Systems

## TRUSTEE EMERITI

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

Fletcher C. Derrick, Jr.  
Urologist

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

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

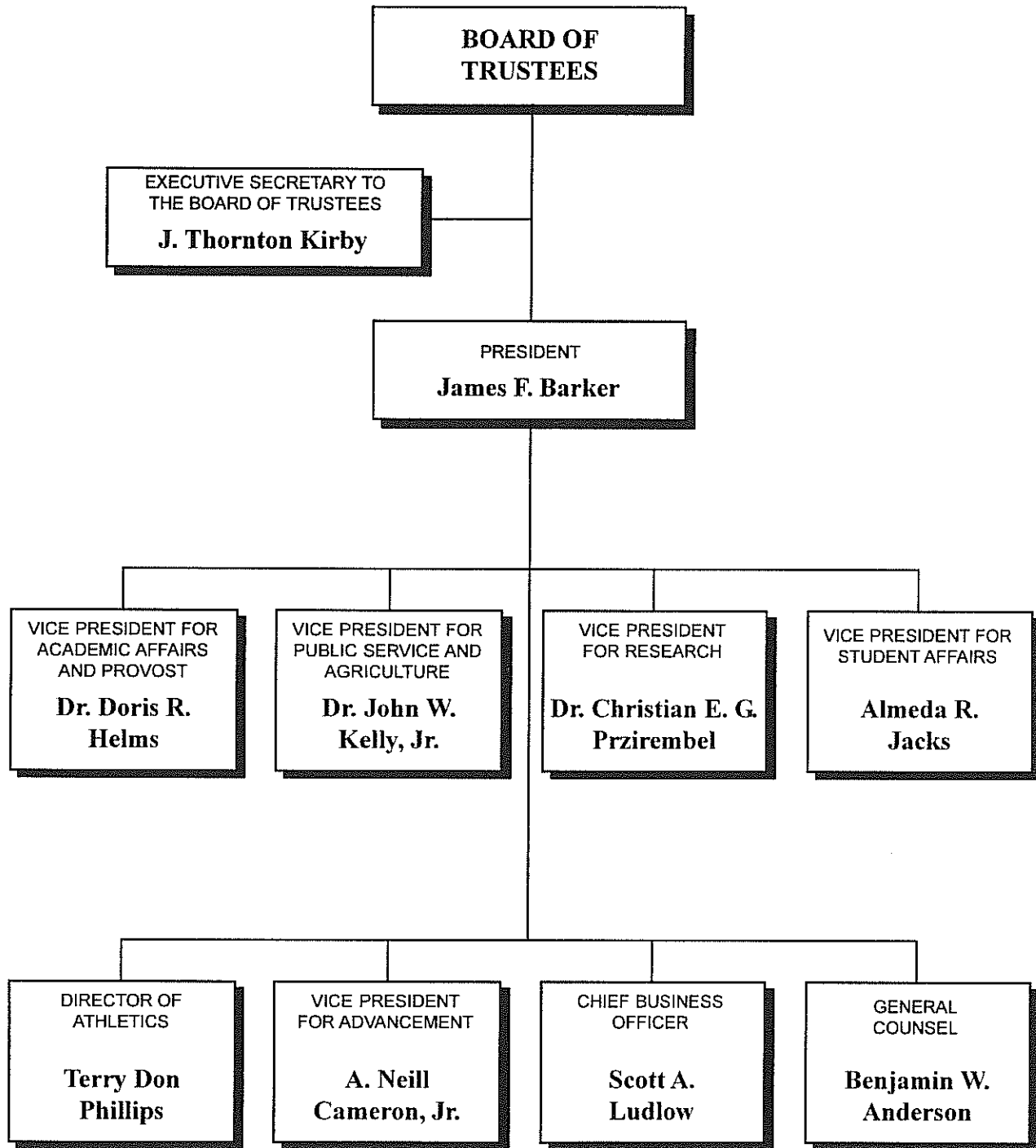
Paul W. McAlister  
Retired

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

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

# CLEMSON UNIVERSITY ORGANIZATION CHART

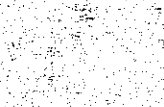
(as of June 30, 2003)





## *Financial Section*

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1270  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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

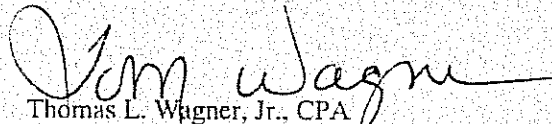
October 3, 2003

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

This report on the audit of the financial statements of Clemson University for the fiscal year ended June 30, 2003, 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 basic financial statements of Clemson University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in note 1, the financial statements of Clemson University are intended to present the financial position, results of operations and the cash flows of proprietary fund types of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions of Clemson University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clemson University, as of June 30, 2003, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2003 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 LP, 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 basic financial statements of the University. 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 by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

September 12, 2003



## 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 2003. While audited financial statements for fiscal year 2002 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data.

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

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

### Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Clemson University. The Statement of Net Assets presents end-of-year data concerning Assets (property that we own and what we are owed by others), Liabilities (what we owe to others and have collected from others before we have

provided the service), and Net Assets (Assets minus Liabilities). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

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

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

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

	2003	2002	Increase/ (Decrease)	Percent Change
<b>Assets</b>				
Current assets	\$ 163,617	\$ 155,689	\$ 7,928	5.09%
Capital assets, net	375,932	337,114	38,818	11.51%
Other assets	76,861	73,255	3,606	4.92%
<b>Total Assets</b>	<b>616,410</b>	<b>566,058</b>	<b>50,352</b>	<b>8.90%</b>
<b>Liabilities</b>				
Current Liabilities	65,368	68,909	(3,541)	(5.14)%
Noncurrent Liabilities	123,825	90,457	33,368	36.89%
<b>Total Liabilities</b>	<b>189,193</b>	<b>159,366</b>	<b>29,827</b>	<b>18.72%</b>
<b>Net Assets</b>				
Invested in capital assets, net of debt	256,258	252,576	3,682	1.46%
Restricted - expendable	109,161	101,223	7,938	7.84%
Restricted - nonexpendable	9,228	9,223	5	0.05%
Unrestricted	52,570	43,670	8,900	20.38%
<b>Total Net Assets</b>	<b>\$ 427,217</b>	<b>\$ 406,692</b>	<b>\$ 20,525</b>	<b>5.05%</b>

- Total assets of the University increased by \$50.3 million. Net capital assets contributed \$38.8 million of this amount led by a \$32.3 million increase in Buildings and Construction in Progress, and a \$4.2 million increase in Utilities and Other Non Structural Improvements. Two items contributed to the \$7.9 million increase in current assets. Cash balances increased \$6.3 million from the previous year, mainly because of three bond issues, two of which occurred late in the fiscal year. Also, prepaid expenses were up \$1.3 million due to prepayment of library periodicals before fiscal year end. The \$3.6 million increase in Other assets stemmed from increases in endowment gifts and student loan repayments.
- Current liabilities decreased by \$3.5 million. Accounts and retainage payables were actually down \$6.9 million due to a decrease in payables for major construction projects, most of which were completed and placed into service during the current fiscal year. This decline was offset by increases of approximately \$1.5 million each in deferred revenues, accrued payroll and related liabilities, and the current portion of bonds payable. The deferred revenues increase was primarily attributable to an increase in student prepayments for the second summer session and fall semester, and an increase in football tickets purchased for the fall, 2004 season. The increase in accrued payroll and related liabilities was attributable to an additional day's salary accrual compared to the previous year.
- Three new bond issues discussed in detail in Note 6 to the financial statements were responsible for the \$33.4 million increase in Noncurrent liabilities.
- Although each category of Net Assets increased during the fiscal year ending June 30, 2003, increases in Restricted – expendable and Unrestricted net assets accounted for the bulk of the \$20.5 million increase. The \$7.9 million increase in Restricted – expendable net assets is attributable to bond proceeds reserved for specific capital projects. The \$8.9 million increase in unrestricted net assets resulted from the decline in accounts payable at fiscal year end, and increases of approximately \$2.1 million in auxiliary net asset balances.

### **Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. All things being equal, a public University's dependency on state aid and gifts will result in operating deficits. The GASB requires state appropriations and gifts to

be classified as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

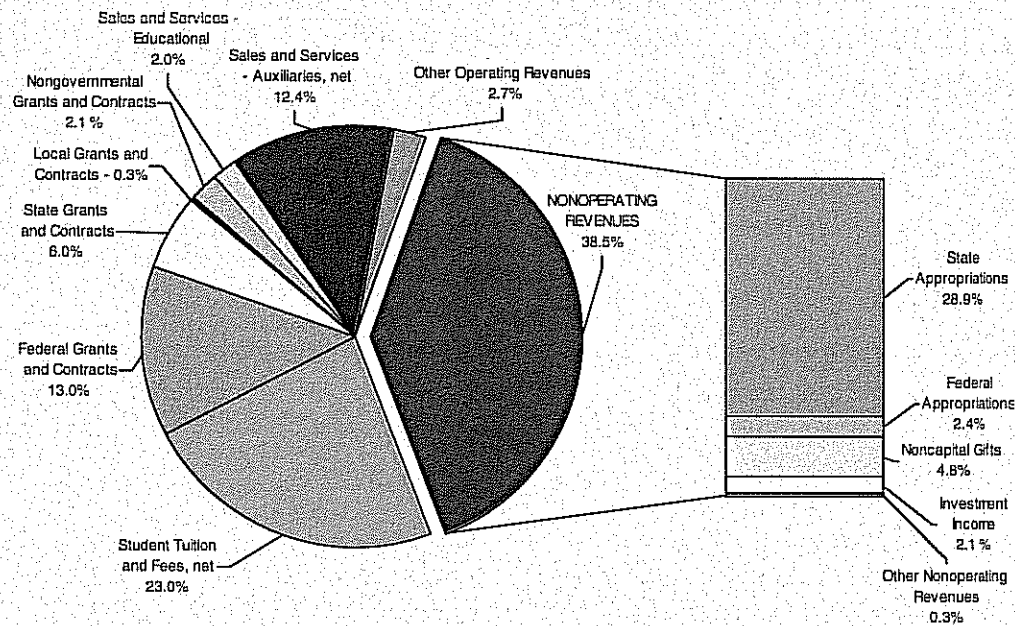
Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the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

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

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

- Operating revenues increased \$39.6 million for the fiscal year ending June 30, 2003. Student tuition and fee revenues increased \$14 million, the direct result of a Board-approved 14.6 percent increase designed to partially offset state appropriation budget cuts. The grants and contracts revenues increase of \$22.4 million was driven by state and federal sources. A 46 percent increase in state grants and contracts revenue was due to lottery-funded increases in the Palmetto and LIFE scholarships, and the addition of the new HOPE scholarship. A 22 percent increase in federally funded research revenues is the direct result of the University initiative to grow research and attract external funding to offset recent state appropriation declines.
- Operating expenses increased \$31.7 million for the fiscal year ending June 30, 2003. Expenses for compensation and employee benefits were up \$12 million. Despite two mid-year state budget cuts, the University adhered to its "Academic Road Map". Consequently, faculty salaries accounted for \$4.9 million of this increase. Temporary and part-time wages increased \$3.3 million, reflecting the reluctance, or inability, to fill vacant positions with full-time, salaried individuals. Increased student tuition and fees resulted in a \$3 million increase in graduate assistant waivers. Increased premiums for employee health insurance were attributable for the

## TOTAL REVENUES BY SOURCE



remainder of the compensation and employee benefits increase.

- Services and supplies expenses increased \$15.8 million for the year. More than one-half of this increase, \$8.8 million, was attributable to increases in campus maintenance, renovation and non-capitalized deferred maintenance costs. Converting campus space for research labs and installing wireless networking capability were two of these priorities. Increases in sponsored projects directly resulted in a \$3.7 million increase in public service and research services and supplies. Academic support costs increased \$1.4 million this past year due to increased library acquisitions and upgrades to hardware, software and network servers.
- Savings resulting from previous year upgrades and a renegotiation of the campus coal contract for a savings of 12 percent less resulted in 3.9 percent decrease in campus utilities costs for the year ending June 30, 2003.
- Depreciation expense increased \$3.2 million from the previous year. Almost \$90 million in new buildings were placed in service this past year, resulting in a \$2.4 million increase in depreciation expense.
- The Board mandated 14.6 percent student tuition and fees increase was directly responsible for the \$1.1 increase in scholarships and fellowships expenses.

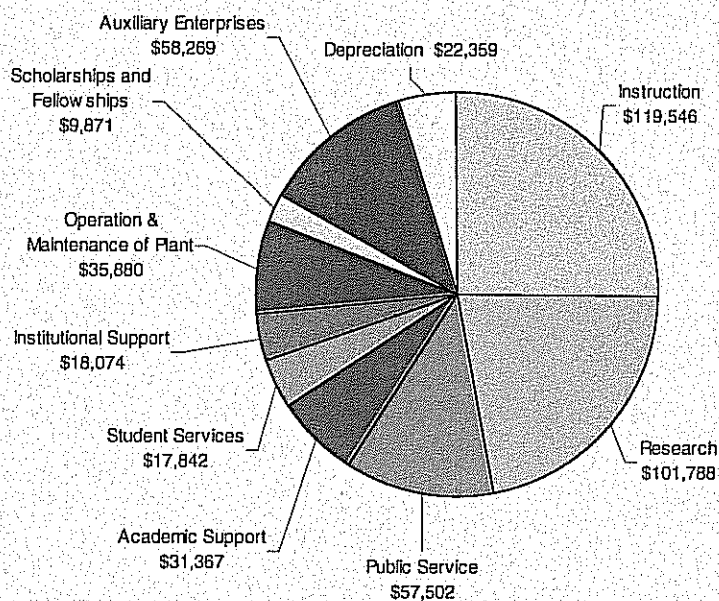
- Nonoperating revenues declined \$28 million for the year ending June 30, 2003. Permanent cuts from the previous year, plus two mid-year reductions totaling 8.73 percent, resulted in a \$15.8 million decrease in state appropriations. A land sale the previous fiscal year yielded \$13.5 million. Lack of a similar transaction of this magnitude resulted in an overall decline of \$13.7 million in gain or losses on the disposal/sale of capital assets. An increase in investment income of \$4.5 million offset a decline in gifts of \$3.7 million. The investment income increase was attributable to fair market value increases in investments held by the State Treasurer for the University and in the value of amounts loaned to the Clemson University Foundation. The decline in gifts is attributable to several factors. The University's capital campaign ended in fiscal year 2002, resulting in an increase in contributions receivable and gifts earmarked for capital projects. Payments of these pledges and restricted capital contributions resulted in the marked increase in capital grants discussed below, but yielded the \$3.7 million decline in unrestricted gifts.
- Capital grants and appropriations increased \$2.4 million for the year ending June 30, 2003. A \$1.9 million decrease in capital improvement bond proceeds from the State was offset by a \$4.3 million increase in gifts earmarked for capital projects and federal capital equipment grants.

# UNAUDITED

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

	2003	2002	Increase/ (Decrease)	Percent Change
<b>Operating Revenues:</b>				
Student tuition and fees	\$ 111,346	\$ 97,269	\$ 14,077	14.47%
Sales and services	69,724	67,639	2,085	3.08%
Grants and contracts	103,304	80,866	22,438	27.75%
Other operating revenues	13,204	12,156	1,048	8.62%
Total operating revenues	297,578	257,930	39,648	15.37%
<b>Operating Expenses:</b>				
Compensation and employee benefits	304,259	292,247	12,012	4.11%
Services and supplies	124,100	108,322	15,778	14.57%
Utilities	11,542	12,006	(464)	(3.86)%
Depreciation	22,359	19,158	3,201	16.71%
Scholarships and fellowships	10,238	9,090	1,148	12.63%
Total operating expenses	472,498	440,823	31,675	7.19%
Operating loss	(174,920)	(182,893)	7,973	(4.36)%
<b>Nonoperating Revenues (Expenses):</b>				
State appropriations	139,615	155,453	(15,838)	(10.19)%
Federal appropriations	11,492	9,772	1,720	17.60%
Gifts	23,232	26,892	(3,660)	(13.61)%
Investment income	10,150	5,617	4,533	80.70%
Gain/(loss) on disposal of capital assets	(1,094)	12,621	(13,715)	(108.67)%
Interest expense	(5,321)	(4,300)	(1,021)	23.74%
Other nonoperating revenues/expenses	1,155	1,134	21	1.85%
Total nonoperating revenues (expenses)	179,229	207,189	(27,960)	(13.49)%
Income before other revenues, expenses, special and extraordinary items and transfers	4,309	24,296	(19,987)	(82.26)%
Capital grants and appropriations	16,745	14,346	2,399	16.72%
Permanent endowment additions	20	235	(215)	(91.49)%
Transfers to state general fund	(549)	(418)	(131)	31.34%
<b>Change in Net Assets</b>	20,525	38,459	(17,934)	(46.63)%
<b>Net Assets, Beginning</b>	406,692	368,233	38,459	10.44%
<b>Net Assets, Ending</b>	\$ 427,217	\$ 406,692	\$ 20,525	5.05%

## OPERATING EXPENSES BY FUNCTION \$472,498 (thousands of dollars)



### Statement of Cash Flows

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

### Debt Administration

The University's financial statements indicate \$112,600,000 in bonds payable, \$6,369,190 in capital leases payable, and \$705,700 in notes payable at June 30, 2003.

During the fiscal year ending June 30, 2003, the State of South Carolina, on behalf of the University, issued General Obligation Bonds totaling \$34,165,000 for the renovation of the University's Fike Recreation/Wellness Center, for replacement of the Littlejohn Coliseum roof, and to acquire land and begin construction of additional research laboratories. Also, during the fiscal year ending June 30, 2003, the University issued Athletic Facilities Revenue Bonds totaling \$7,000,000 for the renovation of various University athletic facilities and for the design and development phase of planned improvements to the West end zone of Memorial Stadium.

The University's bonded indebtedness consisted of: General Obligation Bonds of \$42,465,000, Plant Improvement Bonds of \$5,685,000 and various revenue bond issues totaling \$64,450,000. 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, and stadium seat taxes.

The \$6,369,190 in capital leases is comprised of three leases for land and real estate. Two of these leases are with the Clemson University Research Foundation, a related party.

During the fiscal year ending June 30, 2003, the University borrowed \$600,000 from the Clemson University Foundation, a related party, to construct a new building at the Clemson Apparel Research Facility. The remaining notes payable balance related to the purchase of a fire truck.

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

### Economic Outlook

As a state supported higher education institution, the economic position of the University is closely tied to the State of South Carolina. The State closed fiscal year 2003 with a cumulative \$177 million deficit despite the greatest mid-year budget cuts in state history. Overly optimistic revenue projections were blamed for the shortfall. State constitutional requirements to restore amounts drawn from the General Reserve "Rainy Day Fund" to balance the 2003 budget could likely lead to additional fiscal year 2004 cuts.

The fiscal year 2004 budget adopted by the Clemson University Board of Trustees reflects record low state appropriation funding of less than twenty-five percent of the total University budget. To partially offset this reduction in state funding, tuition was increased 18.8 percent for both in-state and out-of-state students.

State lottery funding supported increases in the Palmetto Fellows and LIFE scholarship programs. Few in-state freshmen pay the full tuition amount. Last year 97 percent had state scholarships. State funded scholarships increased from \$15.8 million to \$26.6 million in fiscal year 2003.

Once again the University finished the fiscal year better off than the previous year. By focusing ever more limited resources on priorities it continues to make progress and improve academic quality. The University continues to hire and retain outstanding young faculty, and attracts far more qualified students than can be accepted.



# CLEMSON UNIVERSITY

## STATEMENT OF NET ASSETS

June 30, 2003

### ASSETS

#### Current Assets

Cash and cash equivalents .....	\$ 90,978,873
<b>Restricted Assets - Current</b>	
Cash and cash equivalents .....	36,494,127
Accounts receivable, net .....	5,594,521
Grants and contracts receivable .....	25,193,154
Contributions receivable, net .....	1,237,522
Interest and income receivable .....	1,482,261
Student loans receivable .....	9,350
Inventories .....	798,736
Prepaid expenses .....	1,792,339
Other .....	35,817
<b>Total current assets .....</b>	<b>163,616,700</b>

#### Noncurrent Assets

Notes receivable .....	49,634,602
Contributions receivable, net .....	3,779,639
Investments .....	2,997,101
<b>Restricted Assets - Noncurrent</b>	
Cash and cash equivalents .....	13,079,400
Student loans receivable .....	6,985,605
Other .....	384,650
Capital assets, net of accumulated depreciation .....	375,932,419
<b>Total noncurrent assets .....</b>	<b>452,793,416</b>
<b>Total assets .....</b>	<b>\$ 616,410,116</b>

### LIABILITIES

#### Current Liabilities

Accounts and retainages payable .....	\$ 15,075,539
Accrued payroll and related liabilities .....	9,620,464
Accrued compensated absences and related liabilities .....	11,646,286
Accrued interest payable .....	745,107
Deferred revenues .....	19,757,509
Bonds payable .....	6,520,000
Capital leases payable .....	1,014,335
Notes payable .....	161,723
Deposits .....	455,186
Funds held for others .....	371,466
<b>Total current liabilities .....</b>	<b>65,367,615</b>

#### Noncurrent Liabilities

Accrued compensated absences and related liabilities .....	5,050,714
Funds held for others .....	6,796,019
Bonds payable .....	106,080,000
Capital leases payable .....	5,354,855
Notes payable .....	543,977
<b>Total noncurrent liabilities .....</b>	<b>123,825,565</b>
<b>Total liabilities .....</b>	<b>\$ 189,193,180</b>

### NET ASSETS

Invested in capital assets, net of related debt .....	\$ 256,257,529
Restricted for Nonexpendable:	
Scholarships and Fellowships .....	9,228,160
Restricted for Expendable:	
Scholarships and Fellowships .....	67,578,236
Research .....	1,359,924
Instructional department use .....	9,925,658
Loans .....	1,585,672
Capital projects .....	25,760,332
Debt service .....	2,951,578
Unrestricted .....	52,569,847
<b>Total net assets .....</b>	<b>\$ 427,216,936</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, 2003

**REVENUES:**

**Operating Revenues**

Student tuition and fees (net of scholarship allowances of \$31,312,478) .....	\$ 111,345,864
Federal grants and contracts .....	62,687,066
State grants and contracts .....	29,158,199
Local grants and contracts .....	1,318,666
Nongovernmental grants and contracts .....	10,140,003
Sales and services of educational and other activities .....	9,674,570
Sales and services of auxiliary enterprises - pledged for revenue bonds (net of scholarship allowances of \$9,264,598) .....	52,811,448
Sales and services of auxiliary enterprises - not pledged .....	7,238,097
Other operating revenues .....	13,203,887
<b>Total operating revenues .....</b>	<b>297,577,800</b>

**EXPENSES:**

**Operating Expenses**

Compensation and employee benefits .....	304,258,839
Services and supplies .....	124,099,709
Utilities .....	11,542,140
Depreciation .....	22,358,905
Scholarships and fellowships .....	10,238,045
<b>Total operating expenses .....</b>	<b>472,497,638</b>
<b>Operating loss .....</b>	<b>(174,919,838)</b>

**NONOPERATING REVENUES (EXPENSES):**

State appropriations .....	139,615,262
Federal appropriations .....	11,491,858
Gifts .....	23,230,933
Interest income .....	7,586,737
Endowment income .....	2,563,672
Interest on capital asset related debt .....	(5,321,267)
Other nonoperating revenues .....	1,490,380
Gain/loss on disposal of capital assets .....	(1,094,436)
Refunds to grantors .....	(334,603)
<b>Net nonoperating revenues (expenses) .....</b>	<b>179,228,536</b>

**Income before other revenues, expenses, gains or losses .....** 4,308,698

State capital appropriations .....	10,569,871
Capital grants and gifts .....	6,174,997
Additions to permanent endowments .....	20,529
Remittances to the state .....	(549,158)
<b>Increase in net assets .....</b>	<b>20,524,937</b>

**Net Assets**

Net assets, Beginning of Year .....	406,691,999
Net assets, End of Year .....	\$ 427,216,936

*See accompanying notes to basic financial statements.*

**CLEMSON UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2003

**CASH FLOWS FROM OPERATING ACTIVITIES**

Payments from customers .....	\$ 171,198,297
Grants and contracts .....	96,326,904
Payments to suppliers .....	(158,009,242)
Payments to employees .....	(240,286,441)
Payments for benefits .....	(52,904,470)
Payments to students .....	(16,671,802)
Inflows from Stafford loans .....	28,864,519
Outflows from Stafford loans .....	(4,618,323)
Loans to students .....	(1,082,019)
Collection of loans .....	1,559,334
<b>Net cash used by operating activities .....</b>	<b>(175,623,243)</b>

**CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations .....	139,615,262
Federal appropriations .....	13,384,214
Gifts .....	40,542,641
<b>Net cash flow provided by noncapital financing activities .....</b>	<b>193,542,117</b>

**CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from capital debt .....	41,765,000
State capital appropriations .....	12,158,356
Capital grants and gifts received .....	1,810,975
Purchases of capital assets .....	(62,544,433)
Principal paid on capital debt and lease .....	(6,628,322)
Interest and fees .....	(5,263,703)
<b>Net cash used by capital activities .....</b>	<b>(18,702,127)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments .....	8,381,029
Proceeds from stock sales .....	147,674
<b>Net cash flow provided by investing activities .....</b>	<b>8,528,703</b>
Net change in cash .....	7,745,450
Cash beginning of year .....	132,806,950
Cash end of year .....	<b>\$ 140,552,400</b>

**Reconciliation of net operating revenues (expense) to net cash used by operating activities:**

Operating loss .....	\$ (174,919,838)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense .....	22,358,905
Change in asset and liabilities:	
Receivables net .....	(30,374,281)
Grants and Contracts Receivable .....	12,212,799
Student loans receivable .....	(106,419)
Prepaid expenses .....	(1,306,599)
Inventories .....	86,700
Other .....	(75,282)
Accounts & retainages payable .....	(5,185,625)
Accrued payroll and related liabilities .....	1,316,333
Accrued Compensated absences and related liabilities .....	(199,000)
Deferred revenue .....	1,513,421
Deposits held for others .....	(944,357)
<b>Net cash used by operating activities .....</b>	<b>\$ (175,623,243)</b>

**NON-CASH TRANSACTIONS**

Increase in fair value of investments .....	\$ 2,067,581
Equipment acquired through gifts .....	1,280,628

**RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:**

Current assets:	
Cash and cash equivalents .....	90,978,873
Restricted cash and cash equivalents .....	36,494,127
Noncurrent assets .....	13,079,400
<b>Total cash and cash equivalent balances .....</b>	<b>\$ 140,552,400</b>

*See accompanying notes to basic financial statements.*



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Organization

Clemson University is a State-supported, coeducational institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the University. The University was established as an institution of higher education by Section 59-119-20 of the Code of Laws of South Carolina in accordance with the will of Thomas Green Clemson and the Act of Acceptance of the General Assembly of South Carolina. The University is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State.

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

### Reporting Entity

As defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the University is not financially accountable for any other entity, nor are there any other entities 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.

### Financial Statement Presentation

The financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Government*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. 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.

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

## NOTES TO FINANCIAL STATEMENTS

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 statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered to be cash equivalents.

### Investments

The University accounts for its investments at fair value. 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.

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

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

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

### Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market. Items

accounted for as University inventories using the moving weighted average method include: maintenance supplies, housing supplies, janitorial and auto supplies, printing and graphic supplies, office supplies, telecommunications supplies and medical supplies.

### Noncurrent Cash and Investments

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

### Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 40 years for buildings and improvements and land improvements and 6 to 20 years for machinery, equipment, and vehicles. Internally developed software is depreciated using the straight-line method over a three year period. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

### Deferred Revenues

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

### Deposits

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, other deposits, and student fee refunds. Student deposits are recognized as revenue during the semester the deposit becomes 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 refundable advances under 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 and net change in the liability is recorded in the current year in the applicable functional expenditure categories.

### Noncurrent Liabilities

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

### Net Assets

The University's net assets are classified as follows:

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

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

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

### Income Taxes

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

### 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

## NOTES TO FINANCIAL STATEMENTS

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 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 unrestricted revenues are collectively labeled "Sales and Services of Educational Departments".

### Scholarship Discounts and Allowances

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

### Deferred Charges

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

### Rebatable Arbitrage

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

## NOTE 2. CASH AND CASH EQUIVALENTS, DEPOSITS AND INVESTMENTS

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

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

### Reconciliation of Deposits and Investments

#### Statement of Net Assets

Cash and cash equivalents	\$ 140,552,400
Investments	2,997,101
Total	<u>\$ 143,549,501</u>

#### Footnotes

Cash on hand	\$ 231,960
Deposits held by State Treasurer	139,208,159
Other deposits	1,112,281
Investments held by State Treasurer	154,439
Other investments	2,842,662
Total	<u>\$ 143,549,501</u>

**Deposits Held by State Treasurer**

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

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. The amount recorded by the University, \$3,880,884 of the \$139,208,159 identified above as "Deposits held by State Treasurer", is attributable to unrealized gains/loss.

**Other Deposits**

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

The University's other deposits are categorized to give an indication of the level of risk assumed by the entity at year-

end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. There are three categories of deposit credit risk as follows:

- 1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- 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, 2003, bank balances by risk category follows:

**Other Deposits by Risk Category**

	Category 1	Category 2	Category 3	Bank Balance	Reported Amount
Insured (FDIC)	\$ 1,197,879	\$ —	\$ —	\$ 1,197,879	\$ 1,112,281

**Investments Held by State Treasurer**

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

**Other Investments**

The University also has investments in bond and equity investment funds, as authorized by numerous donors. All of the University's investments are held in the endowment and similar funds. The bond and equity investment funds, with a fair value of \$2,842,662, 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 \$766,630. 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:

**Other Investments**

	Reported Amount	Fair Value
Equity investment funds	\$ 1,282,458	\$ 1,282,458
Bond investment funds	1,560,204	1,560,204
Total investments	\$ 2,842,662	\$ 2,842,662



## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. RECEIVABLES

University receivables reported in the Statement of Net Assets as of June 30, 2003, were as follows:

#### University Receivables

	Current	Noncurrent	Total
Accounts receivable	\$ 5,594,521	\$ —	\$ 5,594,521
Grants and contracts receivable	25,193,154	—	25,193,154
Contributions receivable	1,237,522	3,779,639	5,017,161
Notes receivable	—	49,634,602	49,634,602
Student loans receivable	9,350	6,985,605	6,994,955
Interest and income receivable	1,482,261	—	1,482,261
Total receivables	<u>\$ 33,516,808</u>	<u>\$ 60,399,846</u>	<u>\$ 93,916,654</u>

Accounts receivable are reported net of allowances for doubtful accounts of \$89,077 based on credit losses experienced in prior years and evaluation of current portfolios. Student payment allowances of \$46,000, parking services allowances of \$38,077, and telecommunications allowances of \$5,000 comprise this amount. Contributions receivable are reported net of allowances for uncollectible pledges of \$1,183,901.

Accounts receivable for the year ended June 30, 2003, were comprised of the following balances:

#### Accounts Receivable

Computer services	\$ 1,598,578
Auxiliaries	1,465,185
Students/scholarships	1,106,808
Professional development/conferences	603,425
Municipal services	256,634
Camps	170,567
Educational programs	150,887
Fees	143,316
Other	99,121
Total accounts receivable	<u>\$ 5,594,521</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, 2003, were comprised of the following balances:

#### Grants and Contracts Receivable

	Federal	State	Local	Nongovernmental	Total
Sponsored research	\$ 19,668,076	\$ 945,153	\$ 48,346	\$ 2,783,383	\$ 23,444,958
Land-grant appropriations	1,562,212	—	—	—	1,562,212
Scholarship programs	185,984	—	—	—	185,984
Total grants and contracts receivable	<u>\$ 21,416,272</u>	<u>\$ 945,153</u>	<u>\$ 48,346</u>	<u>\$ 2,783,383</u>	<u>\$ 25,193,154</u>

## NOTES TO FINANCIAL STATEMENTS

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

### Contributions Receivable

	Current	Noncurrent	Total
University programs	\$ 179,142	\$ 716,570	\$ 895,712
Athletic scholarships	1,058,380	3,063,069	4,121,449
Total receivables	<u>\$ 1,237,522</u>	<u>\$ 3,779,639</u>	<u>\$ 5,017,161</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, 2003, the University had notes receivable from the Clemson University Foundation, a related party, totaling \$49,634,602. This amount includes the original loan of \$35,358,188, additional amounts totaling \$12,220,744 loaned since the fiscal year 1999 original loan, plus related income and appreciation. Funds loaned to the Clemson University Foundation will be paid back to the University with interest at a rate equal to that which is necessary to produce a sum which is equal to the total return (consisting of appreciation and income), provided, however, such rate will not be less than zero. The Memorandum of Understanding between Clemson University and the Clemson University

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, is summarized as follows:

#### Capital Assets

	Beginning Balance July 1, 2002	Increases	Decreases	Ending Balance June 30, 2003
Capital assets not being depreciated:				
Land and improvements	\$ 6,265,386	\$ 837,239	\$ —	\$ 7,102,625
*Construction in progress	70,284,690	45,866,264	90,511,277	25,639,677
Total capital assets not being depreciated:	76,550,076	46,703,503	90,511,277	32,742,302
Depreciable capital assets:				
Utilities systems and other non-structural improvements	18,013,501	5,239,096	—	23,252,597
Buildings and improvements	360,621,148	87,924,035	74,307	448,470,876
Computer software	—	607,400	—	607,400
Equipment	111,385,264	11,588,684	5,651,569	117,322,379
Vehicles	12,418,339	787,854	597,379	12,608,814
Total other capital assets at historical cost:	502,438,252	106,147,069	6,323,255	602,262,066
Less accumulated depreciation for:				
Utilities systems and other non-structural improvements	7,946,769	990,639	—	8,937,428
Buildings and improvements	149,672,942	10,916,726	74,307	160,515,361
Computer software	—	202,467	—	202,467
Equipment	74,373,514	10,117,744	4,510,698	79,980,560
Vehicles	9,881,242	131,309	576,418	9,436,133
Total accumulated depreciation:	241,874,467	22,358,905	5,161,423	259,071,949
Depreciable capital assets, net	260,563,785	83,788,164	1,161,832	343,190,117
Capital assets, net	\$ 337,113,861	\$ 130,491,667	\$ 91,673,109	\$ 375,932,419

\* Includes current fiscal year capitalized interest of \$1,243,984

### 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, 2003.

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 drawdowns of federal appropriations for Hatch and Smith Lever funds for the University's agricultural research and extension programs. Fees collected in advance for municipal services, professional development and continuing education courses, contract credit courses, and various departmental accounts comprise the remaining balance of deferred revenues.

A summary listing of deferred revenue follows:

#### Deferred Revenues

Athletic event receipts - fall semester	\$ 9,378,981
Sponsored research advances	4,788,018
Academic and other fees - second summer session	3,731,237
Other auxiliary fees - second summer session	619,213
Public Service programs	430,755
Admission fees - fall semester	290,900
Municipal services	220,394
Professional development fees	130,706
Educational Programs	129,069
Other	38,236
Total deferred revenue	\$ 19,757,509



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

At June 30, 2003, bonds payable consisted of the following:

**Bonds Payable**

	Interest Rate	Maturity Dates	Balance June 30, 2003	Debt Retired in Fiscal Year 2003
<b>General Obligation Bonds</b>				
Bonds dated 5/01/92 (Series 1992B)	6.00%	6/1/2007	\$ 1,420,000	\$ 305,000
Bonds dated 4/01/95 (Series 1995A)	5.10-5.25%	6/1/2010	1,765,000	200,000
Bonds dated 6/01/97 (Series 1997B)	4.60-4.80%	6/1/2010	5,700,000	525,000
Bonds dated 7/01/02 (Series 2002B)	3.5-4.375%	6/1/2017	21,580,000	585,000
Bonds dated 3/01/03 (Series 2003B)	2.50-4.50%	6/1/2017	12,000,000	—
			<u>42,465,000</u>	
<b>Plant Improvement Refunding Bonds</b>				
Bonds dated 3/01/98 (Series 1998)	4.10-4.50%	5/1/2011	5,685,000	590,000
			<u>5,685,000</u>	
<b>Auxiliary Revenue Bonds</b>				
Bonds dated 1/01/98 (Series 1998A)	4.625-4.75%	5/1/2012	17,625,000	1,665,000
Bonds dated 5/01/00 (Series 2000)	5.50-6.25%	5/1/2015	20,850,000	770,000
			<u>38,475,000</u>	
<b>Athletic Facilities Revenue Bonds</b>				
Bonds dated 6/01/01 (Series 2001)	4.0-4.75%	5/1/2016	18,975,000	985,000
Bonds dated 6/01/03 (Series 2003)	3.0-5.0%	5/1/2023	7,000,000	—
			<u>25,975,000</u>	<u>\$ 5,625,000</u>
			<u>\$ 112,600,000</u>	

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

The University purchased a bond insurance policy payable to the bond trustee for the Plant Improvement Refunding Bonds, Series 1998; the Revenue Bonds, Series 1998A and Series 2000; and the Athletic Facilities Revenue Bonds, Series 2001 and 2003. In addition, a surety bond was purchased for the Athletic Facilities Revenue Bonds, Series 2001 and 2003. The insurance guarantees payment of principal and interest until all debt has been retired.

Tuition fees for the fiscal year ended June 30, 2002 were \$4,843,240 which results in a legal annual debt service limit at June 30, 2003 of \$4,358,916. This amount is equal to 90% of tuition fees collected for the prior fiscal year.

The series 1995A General Obligation Bonds maturing on and after June 1, 2006, are subject to redemption in whole or in part 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

## NOTES TO FINANCIAL STATEMENTS

May 1, 2007, the Auxiliary Revenue Bonds can be redeemed at 101% through April 30, 2008 and from May 1, 2008 through April 30, 2009 at 100.5% of par. After April 30, 2009 they can be redeemed at par.

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

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

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

During the fiscal year ending June 30, 2003, the State of South Carolina issued on behalf of the University, General Obligation State Institution Bonds in the amount of \$22,165,000. The proceeds of these bonds are to be used to: (1) partially pay for 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 fieldhouse; and, in addition, renovating various on-campus facilities to house activities being displaced by the Fike project; (2) to replace the entire roofing system for Littlejohn Coliseum at the University. The Series 2002B General Obligation Bonds maturing on and after June 1, 2013, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on or after June 1, 2012, at the redemption prices expressed as a percentage of the principal amount to be redeemed at the following redemption prices: June 1, 2012 through May 31, 2013 at 101 percent and June 1,

2013 and thereafter at 100 percent. The Series 2002B General Obligation Bonds are secured by a pledge of the full faith, credit and taxing power of the State and by a pledge of the tuition fees of the University.

During the fiscal year ending June 30, 2003, the State of South Carolina also issued on behalf of the University, General Obligation State Institution Bonds in the amount of \$12,000,000. The proceeds of these bonds are to be used to partially pay for the costs of acquisition of a parcel of land located in the Clemson Research Park, and the construction of one or more research laboratory buildings, or other improvements, and fixtures, furnishings, equipment and machinery to be installed. The Series 2003B General Obligation Bonds maturing on and after June 1, 2013, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on or after June 1, 2012, at the redemption prices expressed as a percentage of the principal amount to be redeemed at the following redemption prices: June 1, 2012 through May 31, 2013 at 101 percent and June 1, 2013 and thereafter at 100 percent. The Series 2003B General Obligation Bonds are secured by a pledge of the full faith, credit and taxing power of the State and by a pledge of the tuition fees of the University.

During the fiscal year ending June 30, 2003, Clemson University issued Athletic Facilities Revenue Bonds, Series 2003, in the amount of \$7,000,000. The proceeds of these bonds are being used to partially fund the cost of renovations to the University's varsity baseball facilities and for construction of an indoor track facility, as well as the cost of architectural and engineering fees for the design and development phase of renovation of and improvements to the West end zone of Memorial Stadium. The Series 2003 Athletic Facilities Revenue Bonds maturing prior to May 1, 2014 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2014 at the option of the Board of Trustees on or after May 1, 2013, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2013 through April 30, 2014 at 101 percent and May 1, 2014 and thereafter at 100 percent. The Series 2003 Athletic Facilities Revenue Bonds are payable from and secured by a pledge of the net revenues of the University's Athletic Department and the gross receipts from the imposition by the University of any admissions fee and any special student fee.

## NOTES TO FINANCIAL STATEMENTS

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, 2003, are as follows:

### Auxiliary and Athletic Facilities Revenue Bonds

Year Ending June 30	Principal	Interest	Total
2004	\$ 3,595,000	\$ 3,141,176	\$ 6,736,176
2005	3,700,000	2,998,471	6,698,471
2006	3,890,000	2,826,665	6,716,665
2007	4,100,000	2,646,009	6,746,009
2008	4,320,000	2,455,478	6,775,478
2009 through 2013	24,585,000	8,987,980	33,572,980
2014 through 2018	15,105,000	2,671,525	17,776,525
2019 through 2023	5,155,000	734,175	5,889,175
	<u>\$ 64,450,000</u>	<u>\$ 26,461,479</u>	<u>\$ 90,911,479</u>

Amounts including interest required to complete payment of the Plant Improvement bonds as of June 30, 2003, are as follows:

### Plant Improvement Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2004	\$ 615,000	\$ 245,982	\$ 860,982
2005	635,000	220,768	855,768
2006	665,000	194,415	859,415
2007	690,000	166,485	856,485
2008	720,000	137,160	857,160
2009 through 2011	2,360,000	215,550	2,575,550
	<u>\$ 5,685,000</u>	<u>\$ 1,180,360</u>	<u>\$ 6,865,360</u>

Amounts including interest required to complete payment of the General Obligation Bonds as of June 30, 2003, are as follows:

### General Obligation Bonds

Year Ending June 30	Principal	Interest	Total
2004	\$ 2,310,000	\$ 1,731,559	\$ 4,041,559
2005	2,405,000	1,640,329	4,045,329
2006	2,500,000	1,544,389	4,044,389
2007	2,605,000	1,441,120	4,046,120
2008	2,710,000	1,332,530	4,042,530
2009 through 2013	15,310,000	4,910,792	20,220,792
2014 through 2017	14,625,000	1,554,530	16,179,530
	<u>\$ 42,465,000</u>	<u>\$ 14,155,249</u>	<u>\$ 56,620,249</u>

## NOTES TO FINANCIAL STATEMENTS

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, 2003, \$165,000 of bonds outstanding are considered defeased. The University was in compliance with all applicable bond covenants as of June 30, 2003.

The University reported principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 2003:

### Principal Retirements and Interest Expenditures

Bond Type	Principal	Interest
General Obligation Bonds	\$ 1,615,000	\$ 1,529,844
Plant Improvement Refunding Bonds	590,000	265,649
Auxiliary Revenue Bonds	2,435,000	2,157,139
Athletic Facilities Revenue Bonds	985,000	870,801
	<u>\$ 5,625,000</u>	<u>\$ 4,823,433</u>

### Notes Payable

At June 30, 2003, notes payable consisted of the following:

### Notes Payable

	Note Dated	Interest	Maturity	Amount
First Uniona National Bank	1/30/98	4.796%	2/1/2005	\$ 105,700
CU Foundation (CUF)	6/30/03	4.250%	6/30/2008	600,000
Total				<u>\$ 705,700</u>

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

During the fiscal year ending June 30, 2003, the University entered into a loan agreement with the Clemson University Foundation whereby the Foundation loaned the University \$600,000 to construct a new building at the Clemson Apparel Research Facility. The loan currently bears interest at 4.25 percent per annum on the unpaid balance. On December 30, 2003 and each semiannual payment date thereafter, the interest rate will adjust automatically for the next succeeding interest payment to the then prevailing Prime Rate. Principal and interest is payable in semi-annual installments of \$67,233.52 for 5 years, assuming 4.25 percent throughout the term of the loan.

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

The aggregate debt service payments due on the notes payable at June 30, 2003 are as follows:

### Debt Service - Notes Payable

Year Ending June 30	Principal	Interest	Total
2004	\$ 161,723	\$ 28,800	\$ 190,523
2005	168,957	21,566	190,523
2006	119,788	14,679	134,467
2007	124,933	9,534	134,467
2008	130,299	4,168	134,467
Total Obligations	<u>\$ 705,700</u>	<u>\$ 78,747</u>	<u>\$ 784,447</u>

Total principal paid on notes payable was \$49,210 for the year ended June 30, 2003. Total interest expense for notes payable was \$5,863.

## NOTE 7. LEASE OBLIGATIONS

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

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2003, were as follows:

### Capital and Operating Lease Commitments

	Capital Leases	Operating Leases
Year Ending June 30:		
2004	\$ 1,471,429	\$ 417,937
2005	1,471,349	270,971
2006	1,471,349	231,479
2007	1,471,349	177,150
2008	802,939	44,988
2009 through 2011	1,531,250	—
Total minimum lease payments	8,219,665	\$ 1,142,525
Less: Interest	1,633,000	
Less: Executory Costs	217,475	
Principal outstanding	\$ 6,369,190	

### 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 2003 were \$1,471,462, of which \$459,520 represented interest and \$32,451 represented executory costs. Total principal paid on capital leases was \$954,112 for the fiscal year ended June 30, 2003. 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 leases at June 30, 2003:

### Assets Held Under Capital Lease

	Value at Lease Inception	Accumulated Depreciation	Net
Land	\$ 122	\$ —	\$ 122
Buildings	13,908,588	5,060,312	8,848,276
Totals	\$ 13,908,710	\$ 5,060,312	\$ 8,848,398

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

The University had two capital leases with related entities in the current fiscal year. 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, 2003, on this capital lease was \$355,489. 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, 2003, on this capital lease is \$1,323,001. The University at its option may terminate the lease and purchase CURF's interest for the unamortized principal balance and the payment of \$1. The lease payments for fiscal year 2003 through 2007 are computed at a rate of 3.625%.

The University also has two additional capital real property

## NOTES TO FINANCIAL STATEMENTS

leases with unrelated parties. 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 outstanding liability at June 30, 2003 for this capital lease was \$1,765,398. In June 1991, the University entered into a capital lease of \$5,186,861 at 7.58 percent whereby the University leases a building for a twenty year period that began June 1991, and expires June 2011. The outstanding liability at June 30, 2003, on this capital lease was \$2,925,305. The University may cancel the lease agreements 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.

### 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 \$102,173 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, 2005. Under this agreement, the University paid CURF \$39,746 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 \$32,000 in the current year.

Noncancellable operating lease expenditures in 2003 were \$490,902 for real property and \$200,955 for office equipment. 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.

In the current fiscal year, Clemson University incurred

expenses of \$724,092 for office copier contingent rentals on a cost-per-copy basis.

### NOTE 8. RETIREMENT PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 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 Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because



participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of eligible compensation. Effective July 1, 2002, the employer contribution rate became 10.70 percent which includes a 3.15 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, 2003, 2002, and 2001, were approximately \$10,846,000, \$10,964,000 and \$10,830,000, 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 \$215,476 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, 2002, the employer contribution rate became 13.45 percent which, as for the SCRS, included a 3.15 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2003, 2002, 2001, were approximately \$253,000, \$263,000, and \$256,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$4,919 and accidental death insurance contributions of \$4,919 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, unclassified and classified employees not in temporary or part-time permanent positions who meet all eligibility requirements for membership in the SCRS. Election into either SCRS or ORP must be made within their first fifteen days of employment. A State ORP participant could have irrevocably elected to join the SCRS during the open enrollment period of January 1 – March 31, 2003 during the fifth anniversary of the person's initial enrollment in the State ORP.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.15 from the employer in fiscal year 2003.

Certain of the University's employees have elected to be

## NOTES TO FINANCIAL STATEMENTS

covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$3,962,000 (excluding the surcharge) from the University as employer and \$3,149,000 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 \$14,745,000 for the year ended June 30, 2003. As discussed in Note 8, the University paid approximately \$6,256,000 applicable to the 3.15 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.



## NOTE 11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2003 was as follows:

### Long Term Liabilities

	July 1, 2002	Additions	Reductions	June 30, 2003	Due Within One Year
Bonds Payable, Notes Payable and Capital Lease Obligations:					
General Obligation Bonds	\$ 9,915,000	\$ 34,165,000	\$ 1,615,000	\$ 42,465,000	\$ 2,310,000
Plant Improvement Bonds	6,275,000	—	590,000	5,685,000	615,000
Revenue Bonds	40,910,000	—	2,435,000	38,475,000	2,555,000
Athletic Facilities Revenue Bonds	19,960,000	7,000,000	985,000	25,975,000	1,040,000
Notes Payable	154,910	600,000	49,210	705,700	161,723
Capital Lease Obligations	7,323,302	—	954,112	6,369,190	1,014,335
Total Bonds, Notes & Capital Leases	84,538,212	41,765,000	6,628,322	119,674,890	7,696,058
Other Liabilities:					
Accrued compensated absences	16,896,000	10,566,648	10,765,648	16,697,000	11,646,286
Funds held for others	6,431,035	403,918	38,934	6,796,019	—
Accounts and retainages payable	187,431	—	187,431	—	—
Arbitrage payable	160,327	7,765	168,092	—	—
Total Other Liabilities	23,674,793	10,978,331	11,160,105	23,493,019	11,646,286
Total Long-Term Liabilities	\$ 108,213,005	\$ 52,743,331	\$ 17,788,427	\$ 143,167,909	\$ 19,342,344

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 refundable advances under the Perkins Loan program.

## NOTE 12 CONSTRUCTION COSTS AND COMMITMENTS

### Capitalized

The University has obtained or has plans to obtain the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable capital asset categories upon completion. Management estimates that the University has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next 2 or 3 years at an estimated cost of \$ 97,596,850. This \$97,596,850. includes estimated costs of \$81,283,850 for capital projects currently in progress plus \$16,313,000 estimated costs for other capital projects already in service. Of the total estimated cost, \$67,847,237 was unexpended at June 30, 2003. Of the total expended through June 30, 2003, the University has capitalized substantially complete and in use projects in the amount of \$93,770,531. Of the unexpended balance the University has remaining commitment balances of \$25,023,125 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of June 30, 2003 was \$1,345,650.

## NOTES TO FINANCIAL STATEMENTS

Capital projects at June 30, 2003 which constitute construction in progress that are to be capitalized when completed are listed below.

### Construction Costs and Commitments

Project Number	Project	Approximate Cost	Amount Expended
9694	Athletic Facilities Construction/Renovation	\$2,195,034	\$881,043
9807	Academic Support Center	220,000	16,597
9527	Edisto Center Construction/Renovation	4,000,000	3,037,380
9750	Fike Recreation/Wellness Center Renovations	21,585,496	18,211,517
9793	Fraternity Dormitories Renovation	24,750,000	844,354
9811	Housing Warehouse Construction	150,000	1,986
9776	Microcreamery	50,000	42,056
9532	Sandhill REC Office/Lab Building	6,900,000	1,737
9800	Research Lab Building	21,178,320	2,598,482
9801	Washdown Facility	255,000	4,525
		<u>\$ 81,283,850</u>	<u>\$ 25,639,677</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, 2003. No noncapitalized expenditures are included in these totals.

### Non-Capitalized

At June 30, 2003 the University had in progress other capital projects which are 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 \$30,305,415. This amount includes costs incurred to date of \$13,740,867 and estimated costs to complete of \$16,564,548. The University has remaining commitment balances with certain parties related to these projects of \$3,865,240. Retainages payable on the non-capitalized projects as of June 30, 2003, was \$157,613. 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 related parties 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 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 2003, were recorded by the University as nonoperating gift revenues totaling \$8,418,853. The Foundation also reimbursed the University \$301,152 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 \$235,036, and was recorded as capital grants and gifts in the Statement of Revenues, Expenses and Changes in Net Assets. Also recorded as capital grants and gifts upon receipt were Foundation donations totaling \$3,392,078 for University building projects. As of June 30, 2003, the Foundation had remaining commitments of approximately \$1,000,000 for University building projects.

## NOTES TO FINANCIAL STATEMENTS

As referenced in Note 6, on June 30, 2003, the Foundation loaned the University \$600,000 to construct a building at the Clemson Apparel Research Facility. This loan is to be repaid within 5 years.

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 \$49,634,602.

### 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 \$4,926,903 from CURF were recorded by the University in the Statement of Revenues, Expenditures and Changes in Net Assets as operating nongovernmental grants and contracts. Grants and contracts receivable in the Statement

of Net Assets includes \$1,124,288 due from CURF at June 30, 2003.

Also, the University made \$101,784 in capital lease payments to CURF for lease of a building and land and \$173,919 in operating lease payments for office space. (Note 7) CURF reimbursed the University \$185,046 for salaries for time devoted by University employees to the Clemson University Research Foundation.

### NOTE 14. TRANSACTIONS WITH STATE ENTITIES

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

The original appropriation is the University's base budget amount presented in the General Funds column of Sections 5D and 23 of Part 1A of the 2002-03 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, 2003:

### State Appropriations

	Educational and General	Public Service	Total
Original appropriation	\$ 102,990,114	\$ 47,137,307	\$ 150,127,421
Less 5% reduction	(5,271,904)	(2,366,165)	(7,638,069)
Less 3.73 % reduction	(3,736,545)	(1,677,057)	(5,413,602)
State Budget and Control Board Allocations:			
Employee Base Pay Increases and Related Employee Benefits	224,878	138,372	363,250
Appropriation allocations from the State Commission on Higher Education:			
For Academic Endowment Match	133,017	—	133,017
For Clemson Agriculture Education Teachers - Teacher Recruitment	—	110,000	110,000
For Clemson Agriculture Education Teachers - Teacher Salary Supplements	—	52,195	52,195
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	—	(235,950)	(235,950)
Total State Appropriation Revenues	<u>\$ 96,456,560</u>	<u>\$ 43,158,702</u>	<u>\$ 139,615,262</u>

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, 2003:

## NOTES TO FINANCIAL STATEMENTS

### Other Amounts Received from State Agencies

	Operating Revenues	Nonoperating Revenues	Capital Improvement Bond Proceeds	Total
Received from the Commission on Higher Education (CHE):				
LIFE Scholarships	\$ 18,170,935	\$ —	\$ —	\$ 18,170,935
Palmetto Scholarships	6,688,249	—	—	6,688,249
Need-Based Grants	1,645,858	—	—	1,645,858
HOPE Scholarships	68,900	—	—	68,900
University Center	535,609	—	—	535,609
Access and Equity Competitive Grants	—	72,701	—	72,701
SC Experimental Programs to Stimulate Competitive Research	—	490,736	—	490,736
SC Manufacturing Extension Partnership	—	268,173	—	268,173
SC Alliance for Minority Participation	—	46,311	—	46,311
Partnership Assistance	—	34,920	—	34,920
Received from the Department of Education	692,064	—	—	692,064
Received from various other state agencies	1,356,584	—	—	1,356,584
Capital improvement bond proceeds	—	—	10,569,871	10,569,871
	<u>\$ 29,158,199</u>	<u>\$ 912,841</u>	<u>\$ 10,569,871</u>	<u>\$ 40,640,911</u>

The University provided no significant services free of charge to any State agency during the fiscal year; however, the University did provide computer services and information systems development for a fee to other State agencies during the fiscal year. Total fees received were \$8,996,334, comprised of \$4,405,942 in fees for computer services classified as other operating revenues, and \$4,590,392 in information and systems development fees classified as sales and services of auxiliary enterprises.

Also, the University collected and remitted \$120,150 in fertilizer taxes, seed certification and pesticide registration fees to the State General Fund.

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

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

The University had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contributions, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2003 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.

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, 2003, 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, 2003, and the amount of the loss is reasonably estimable.

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

## NOTE 16. CONTINGENCIES AND LITIGATION

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

The various federal programs administered by the University for fiscal year 2003 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 17. OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2003 are summarized as follows:

#### Operating Expenses by Function

	Compensation and Employee Benefits	Services and Supplies	Utilities	Depreciation	Scholarships and Fellowships	Total
Instruction	\$ 101,842,970	\$ 16,631,580	\$ 941,672	\$ —	\$ 129,963	\$ 119,546,185
Research	72,622,532	27,894,595	991,513	—	278,984	101,787,624
Public Service	41,201,685	15,165,989	1,106,099	—	27,980	57,501,753
Academic Support	24,102,566	6,539,530	725,072	—	—	31,367,168
Student Services	11,784,386	5,801,232	254,454	—	1,500	17,841,572
Institutional Support	14,847,119	3,007,207	219,391	—	—	18,073,717
Operation and Maintenance of Plant	16,796,352	16,074,372	3,009,375	—	—	35,880,099
Scholarships and Fellowships	32	71,504	—	—	9,799,618	9,871,154
Auxiliary Services	21,061,197	32,913,700	4,294,564	—	—	58,269,461
Depreciation	—	—	—	22,358,905	—	22,358,905
Total	\$ 304,258,839	\$ 124,099,709	\$ 11,542,140	\$ 22,358,905	\$ 10,238,045	\$ 472,497,638

### NOTE 18. SUBSEQUENT EVENTS

On August 19, 2003, \$28,500,000 in Clemson University Revenue Bonds, Series 2003, were sold and delivered on August 29, 2003. The Series 2003 Bonds were issued for the purpose of providing funds, together with other funds available to the University, necessary to (i) pay a portion of the cost of renovating certain residence hall facilities of the University, (ii) capitalize a portion of the interest on the Series 2003 Bonds to accrue through May 1, 2005, and (iii) pay costs of issuance of the Series 2003 Bonds. The Series 2003 bonds were issued under the authority of the Constitution and laws of the State of South Carolina, including Title 59, Chapter 147 of the Code of Laws of South Carolina 1976, as amended, a Bond Resolution adopted by the Board of Trustees of the University on December 1, 1997, a Series Resolution adopted by the Board of Trustees of the University on October 25, 2002, and a resolution of the State Budget and Control Board of South Carolina adopted December 10, 2002.

In July 2003 the memorandum of understanding between Clemson University and the Clemson University Foundation regarding the loan of endowment funds was modified. The University is now prohibited from requesting a return of the loaned funds if the cumulative investment return is negative.

### 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 2003, this rate was 4.75%. At June 30, 2003, net appreciation of \$556,609 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:

### Details of Restricted Assets

#### Current:

##### Cash and cash equivalents:

As specified by sponsors/donors	\$ 4,133,161
University administered loans	26,846
Payment of maturing debt	3,171,335
Bond proceeds and other amounts restricted for capital projects	28,792,095
Funds held for others	370,690
	<u>\$ 36,494,127</u>

#### Noncurrent:

##### Cash and cash equivalents:

Endowments	\$ 11,740,382
Federal Perkins Loan Program	1,339,018
	<u>\$ 13,079,400</u>

##### Student Loans Receivable:

Federal Perkins Loan Program	<u>\$ 6,985,605</u>
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## NOTE 21. 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

	2003	2002	Increase/ (Decrease)
Charges for services	\$ 284,373,913	\$ 246,720,869	\$ 37,653,044
Operating grants and contributions	59,567,467	67,533,626	(7,966,159)
Capital grants and contributions	6,174,997	1,864,354	4,310,643
Less: expenses	(479,247,944)	(445,411,681)	(33,836,263)
Net program revenue (expense)	<u>(129,131,567)</u>	<u>(129,292,832)</u>	<u>161,265</u>
General revenues:			
Contributions to permanent endowments	20,529	235,430	(214,901)
Transfers:			
State appropriations	139,615,262	155,453,023	(15,837,761)
Capital improvement bond proceeds	10,569,871	12,482,232	(1,912,361)
Less: transfers out to state agencies/funds	(549,158)	(418,461)	(130,697)
Total general revenue and transfers	<u>149,656,504</u>	<u>167,752,224</u>	<u>(18,095,720)</u>
Change in net assets	20,524,937	38,459,392	(17,934,455)
Net assets - beginning	406,691,999	368,232,607	38,459,392
Net assets - ending	<u>\$ 427,216,936</u>	<u>\$ 406,691,999</u>	<u>\$ 20,524,937</u>





*Statistical Section*

## SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30,					
	(amounts expressed in thousands)			(percent of total revenue)		
	2003	2002	2001	2003	2002	2001
<b>Revenues</b>						
<b>Operating Revenues:</b>						
Student Tuition and Fees						
(net of scholarship allowances)	\$ 111,346	\$ 97,269	\$ 85,753	23.0%	21.3%	18.8%
Federal Grants and Contracts	62,687	51,222	43,783	13.0%	11.2%	9.6%
State Grants and Contracts	29,158	19,885	20,090	6.0%	4.3%	4.4%
Local Grants and Contracts	1,319	1,103	837	0.3%	0.2%	0.2%
Nongovernmental Grants and Contracts	10,140	8,656	7,100	2.1%	1.9%	1.6%
Sales and Services of Educational and Other Activities	9,675	9,481	7,757	2.0%	2.1%	1.7%
Sales and Services of Auxiliary Enterprises (net of scholarship Allowances)	60,049	58,158	59,647	12.4%	12.7%	12.9%
Other Operating Revenues	13,204	12,156	11,310	2.7%	2.7%	2.5%
<b>Total Operating Revenues</b>	<u>\$ 297,578</u>	<u>\$ 257,930</u>	<u>\$ 236,277</u>	<u>61.5%</u>	<u>56.4%</u>	<u>51.7%</u>
<b>Non Operating Revenues:</b>						
State Appropriations	\$ 139,615	\$ 155,453	\$ 165,918	28.9%	34.0%	36.3%
Federal Appropriations	11,492	9,772	16,260	2.4%	2.1%	3.6%
Gifts	23,232	26,892	30,318	4.8%	5.9%	6.6%
Interest Income	7,587	7,405	8,048	1.6%	1.6%	1.8%
Endowment Income	2,563	(1,788)	(439)	0.5%	(0.4)%	(0.1)%
Other Non Operating Revenues	1,490	1,423	519	0.3%	0.4%	0.1%
<b>Total Non Operating Revenues</b>	<u>185,979</u>	<u>199,157</u>	<u>220,624</u>	<u>38.5%</u>	<u>43.6%</u>	<u>48.3%</u>
<b>Total Revenues</b>	<u>\$ 483,557</u>	<u>\$ 457,087</u>	<u>\$ 456,901</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Note:** Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for Fiscal years 2001-2003 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 revenue)		
	2003	2002	2001	2003	2002	2001
<b>Expenses</b>						
<b>Operating Expenses:</b>						
Compensation and Employee Benefits	\$ 304,259	\$ 292,247	\$ 271,332	63.5%	67.5%	63.1%
Services and Supplies	124,100	108,322	113,665	25.9%	25.0%	26.4%
Utilities	11,542	12,006	11,198	2.4%	2.8%	2.6%
Depreciation	22,359	19,158	18,694	4.7%	4.4%	4.4%
Scholarships and Fellowships	10,238	9,090	9,268	2.1%	2.1%	2.2%
<b>Total Operating Expenses</b>	<u>472,498</u>	<u>440,823</u>	<u>424,157</u>	<u>98.6%</u>	<u>101.8%</u>	<u>98.7%</u>
<b>Non Operating Expenses:</b>						
Interest on Capital Asset Related Debt	5,321	4,300	3,979	1.1%	1.0%	0.9%
Gain/Loss on Disposal of Capital Assets	1,094	(12,621)	1,226	0.2%	(2.9)%	0.3%
Refunds to Grantors	335	289	340	0.1%	0.1%	0.1%
<b>Total Non Operating Expenses</b>	<u>6,750</u>	<u>(8,032)</u>	<u>5,545</u>	<u>1.4%</u>	<u>(1.8)%</u>	<u>1.3%</u>
<b>Total Expenses</b>	<u>\$ 479,248</u>	<u>\$ 432,791</u>	<u>\$ 429,702</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## SCHEDULE OF EXPENSES BY FUNCTION

	For the Year Ended June 30,					
	(amounts expressed in thousands)			(percent of total revenue)		
	2003	2002	2001	2003	2002	2001
<b>Expenses:</b>						
Instruction	\$ 119,546	\$ 114,357	\$ 107,677	24.9%	26.4%	25.1%
Research	101,788	93,953	87,659	21.2%	21.7%	20.4%
Public Services	57,502	56,508	56,571	12.0%	13.0%	13.2%
Academic Support	31,367	28,811	22,749	6.5%	6.7%	5.3%
Student Services	17,842	17,614	15,757	3.7%	4.1%	3.7%
Institutional Support	18,074	17,287	17,983	3.8%	4.0%	4.2%
Operation and Maintenance of Plant	35,880	28,167	28,529	7.5%	6.5%	6.6%
Scholarships and Fellowships	9,871	8,682	8,894	2.1%	2.0%	2.1%
Auxiliary Enterprises	58,269	56,286	59,644	12.2%	13.0%	13.8%
Interest on Capital Debt	5,321	4,300	3,979	1.1%	1.0%	0.9%
Depreciation	22,359	19,158	18,694	4.7%	4.4%	4.3%
Gain/Loss on Disposal of Capital Assets	1,094	(12,621)	1,226	0.2%	(2.9)%	0.3%
Refunds to Grantors	335	289	340	0.1%	0.1%	0.1%
<b>Total Expenses</b>	<u>\$ 479,248</u>	<u>\$ 432,791</u>	<u>\$ 429,702</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Note:** Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2003 is available.

**Source:** Clemson University Financial Statements.

## UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

At Doctoral-Level Public Institutions

Last ten years

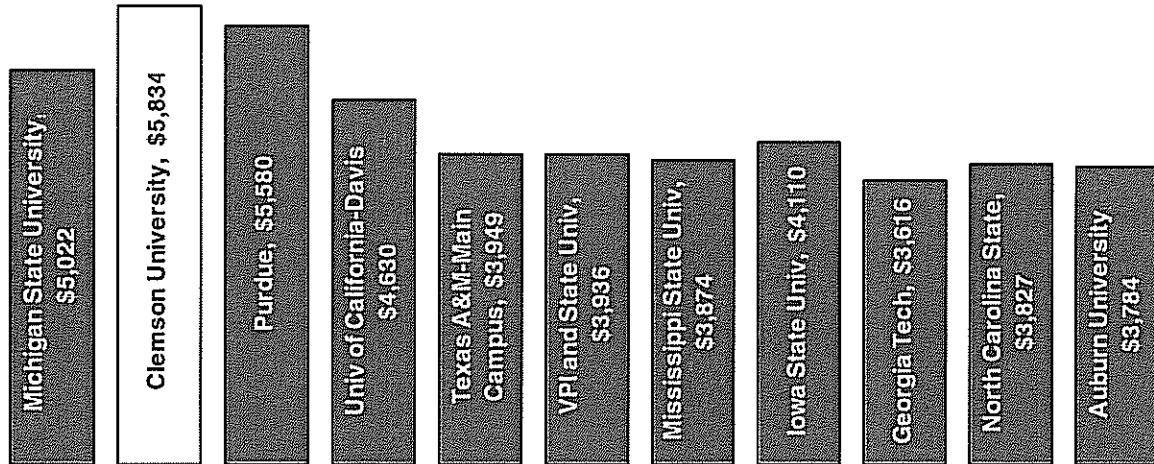
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>Institution - Resident</b>										
Michigan State University	\$5,022	\$4,632	\$4,256	\$4,120	\$4,032	\$3,944	\$3,834	\$3,725	\$4,409	\$4,260
<b>Clemson University</b>	<b>5,834</b>	<b>4,490</b>	<b>3,590</b>	<b>3,470</b>	<b>3,344</b>	<b>3,252</b>	<b>3,112</b>	<b>3,112</b>	<b>3,036</b>	<b>2,954</b>
Purdue	5,580	4,164	3,872	3,724	3,564	3,352	3,208	3,056	2,884	2,696
Univ of California-Davis	4,630	4,595	4,072	4,034	4,153	4,332	4,262	4,174	4,099	3,712
Texas A & M	3,949	3,127	2,809	2,640	2,419	2,337	1,977	2,011	1,653	1,526
VPI and State University	3,936	3,664	3,640	3,620	4,305	4,147	4,131	4,087	3,951	3,812
Mississippi State Univ	3,874	3,586	3,117	3,017	3,017	2,731	2,631	2,591	2,561	2,474
Iowa State Univ	4,110	3,442	3,132	3,004	2,874	2,766	2,666	2,574	2,471	2,352
Georgia Tech	3,616	3,454	3,308	3,108	2,991	2,901	2,685	2,457	2,343	2,265
North Carolina State	3,827	3,302	2,814	2,414	2,364	2,200	2,200	1,732	1,584	1,389
Auburn University	3,784	3,260	3,050	2,895	2,760	2,565	2,355	2,250	2,100	1,950

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>Institution - Non Resident</b>										
Michigan State University	\$12,276	\$11,310	\$10,388	\$10,042	\$9,806	\$9,596	\$9,486	\$9,209	\$10,994	\$10,620
<b>Clemson University</b>	<b>12,932</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>
Purdue	16,260	13,872	12,904	12,348	11,784	11,184	10,636	10,128	9,556	8,848
Univ of California-Davis	17,009	15,669	14,686	14,208	13,727	13,316	12,656	11,873	11,798	11,411
Texas A & M	9,181	8,191	7,969	7,824	7,531	7,473	7,113	6,619	5,943	5,606
VPI and State University	13,552	12,488	12,128	11,844	11,521	11,111	10,783	10,739	10,404	9,680
Mississippi State Univ	8,780	8,125	7,065	6,119	6,119	5,551	5,451	5,411	5,021	4,933
Iowa State Univ	12,802	10,776	9,974	9,564	9,152	8,808	8,480	8,192	7,731	7,386
Georgia Tech	13,986	12,350	10,826	10,350	9,921	9,621	8,946	7,638	6,933	6,765
North Carolina State	15,111	13,294	11,980	11,580	11,530	10,732	10,732	9,848	9,110	8,431
Auburn University	11,084	9,780	9,150	8,685	8,280	7,695	7,065	6,750	6,300	5,850

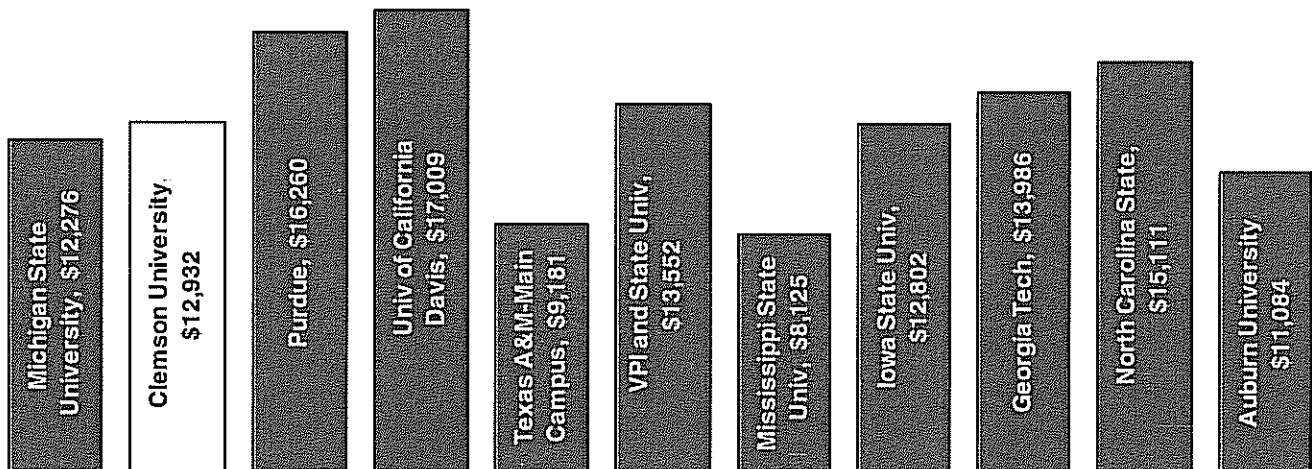
Source: University of Wyoming - telephone surveys, mail surveys, and web sites.

\* 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 - 2003



### Undergraduate Tuition and Fees - Non Resident - 2003



## 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	
2003	\$ 6,876	\$ 6,876	\$ 1,615	\$ 1,530	\$ 3,145	2.19
2002	4,843	4,843	985	555	1,540	3.14
2001	4,325	4,325	930	608	1,538	2.81
2000	3,568	3,568	875	658	1,533	2.33
1999	2,983	2,983	835	704	1,539	1.94
1998	2,880	2,880	790	747	1,537	1.87
1997	2,826	2,826	365	353	718	3.94
1996	2,789	2,789	1,095	422	1,517	1.84
1995	2,797	2,797	920	278	1,198	2.33
1994	2,574	2,574	870	330	1,200	2.15

### 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	
2003	\$ 1,002	\$ 1,002	\$ 590	\$ 266	\$ 856	1.17
2002	1,177	1,177	570	292	862	1.37
2001	1,204	1,204	515	324	839	1.43
2000	1,114	1,114	485	354	839	1.33
1999	1,160	1,160	390	428	818	1.42
1998	1,134	1,134	370	327	697	1.63
1997	1,108	1,108	345	571	916	1.21
1996	1,099	1,099	330	591	921	1.19
1995	1,062	1,062	310	609	919	1.16
1994	1,075	1,075	295	625	920	1.17

Source: Clemson University Office of Fiscal Affairs.

## Athletic Facilities Revenue Bonds

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

## Revenue Bonds

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



# ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

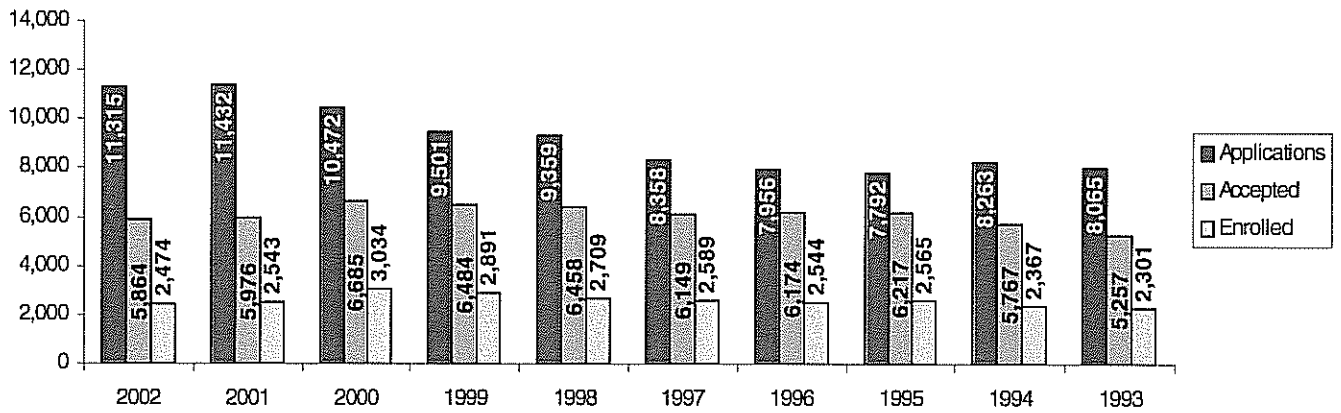
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Admissions-Freshman</b>										
Accepted as a Percentage of Applications	42.2%	52.3%	63.8%	68.2%	69.0%	73.6%	77.6%	79.8%	69.8%	65.2%
Enrolled as a										
Percentage of Accepted	51.8%	42.6%	45.4%	44.6%	41.9%	42.1%	41.2%	41.3%	41.0%	43.8%
SAT Scores-Total	1,205	1,191	1,172	1,158	1,145	1,140	1,128	1,042	1,048	1,052
Verbal	587	584	575	569	564	577	557	483	485	487
Math	618	607	597	589	581	563	571	559	563	565
South Carolina										
Average SAT Score-Total	981	974	966	954	951	955	954	844	838	838

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Enrollment</b>										
Undergraduate and Graduate FTE	15,620	15,800	16,053	15,685	15,258	15,087	14,978	14,847	15,148	15,588
Undergraduate and Graduate Headcount	16,876	17,101	17,465	16,982	16,685	16,396	16,526	16,318	16,290	16,614
Percentage of Men	54.6%	54.6%	53.8%	54.1%	53.1%	53.0%	53.6%	53.8%	54.5%	55.7%
Percentage of Women	45.4%	45.4%	46.2%	45.9%	46.8%	47.0%	46.4%	46.2%	45.5%	44.3%
Percentage of Black	7.1%	7.4%	7.1%	7.3%	6.9%	7.5%	7.6%	7.7%	8.0%	8.0%
Percentage of White	85.0%	85.0%	85.8%	85.5%	86.2%	86.0%	85.9%	86.1%	85.3%	85.4%
Percentage of Other	7.9%	7.6%	7.1%	7.2%	6.7%	6.5%	6.5%	6.3%	6.7%	6.6%

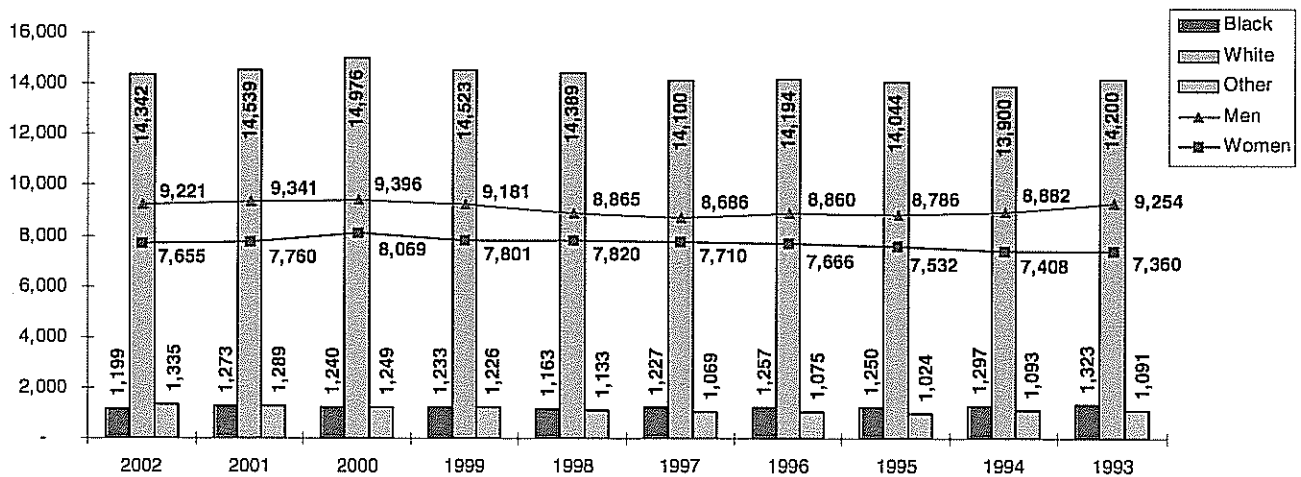
	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Degrees Earned</b>										
Bachelor's	2,973	2,823	2,725	2,565	2,531	2,463	2,530	2,513	2,466	2,735
Master's	808	764	887	795	896	910	926	989	1,082	1,166
Doctoral	121	121	100	114	116	110	90	125	96	116

Source: Clemson University Office of Institutional Research

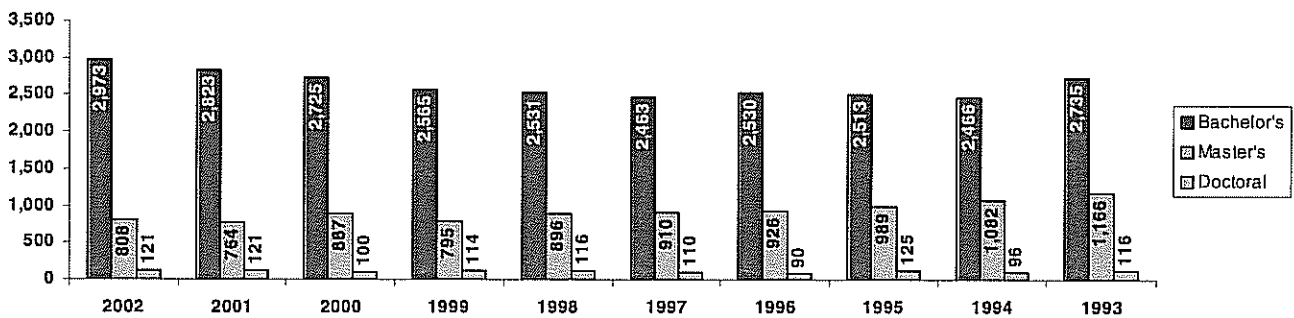
### Freshman Applied, Accepted and Enrolled



### Headcount Total

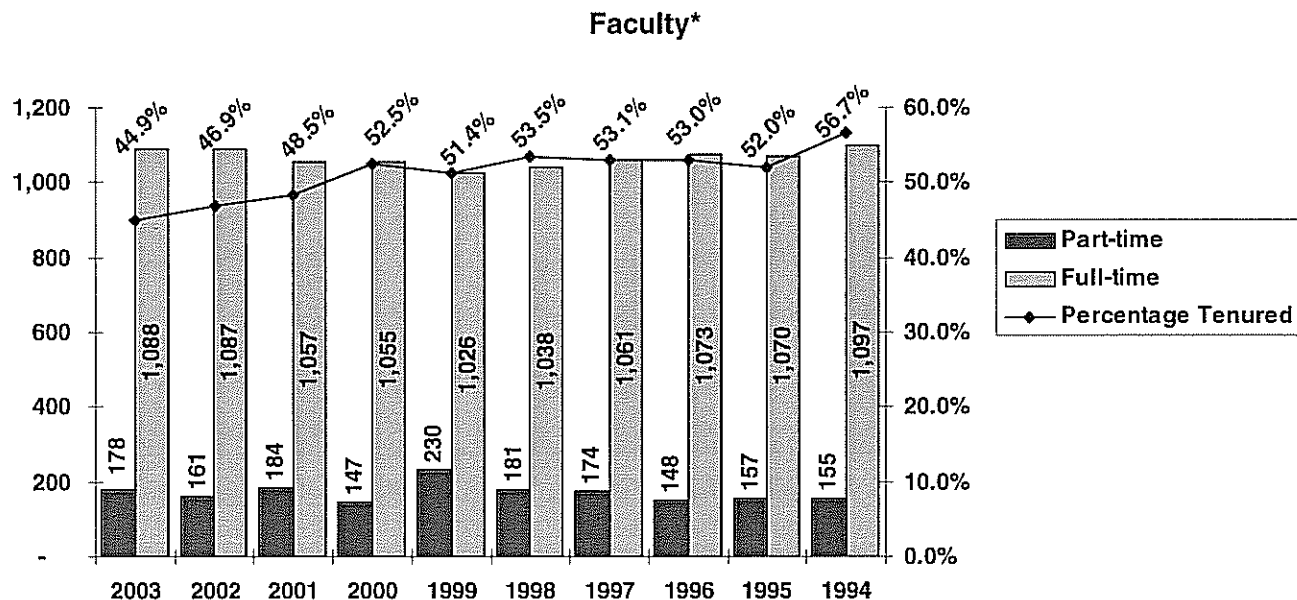


### Degrees Earned



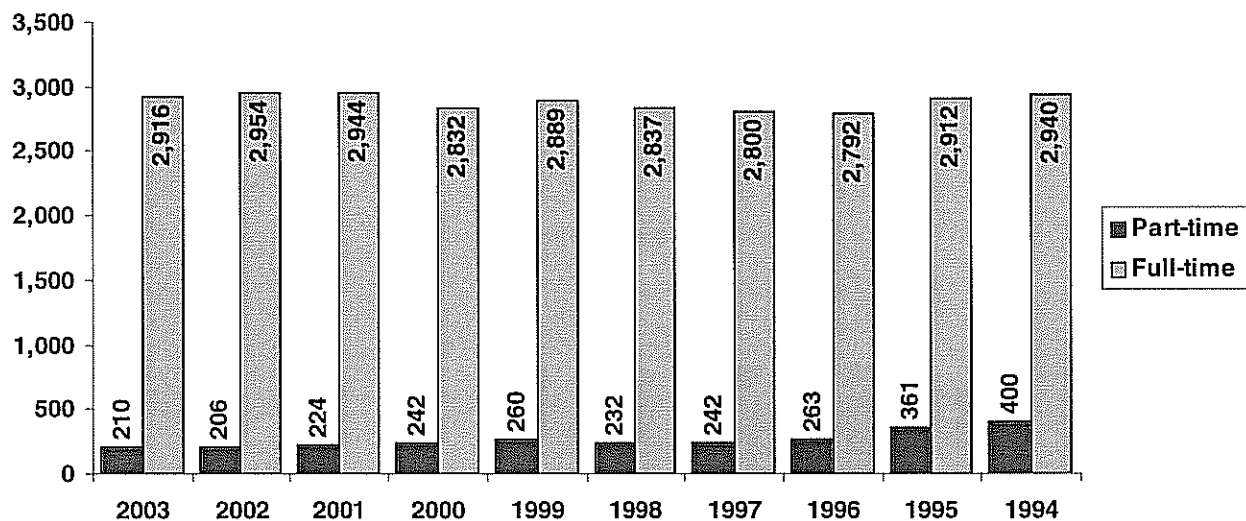
# FACULTY, STAFF AND ADMINISTRATORS STATISTICS

Last Ten Fiscal Years



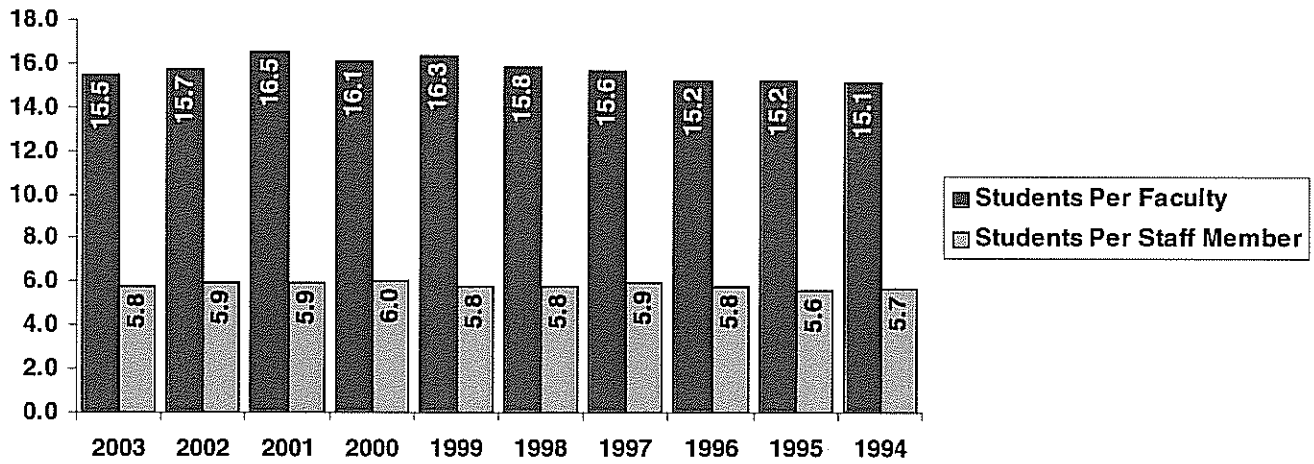
\*IPEDS definition of Instructional Faculty.

## Full-Time and Part-Time Staff

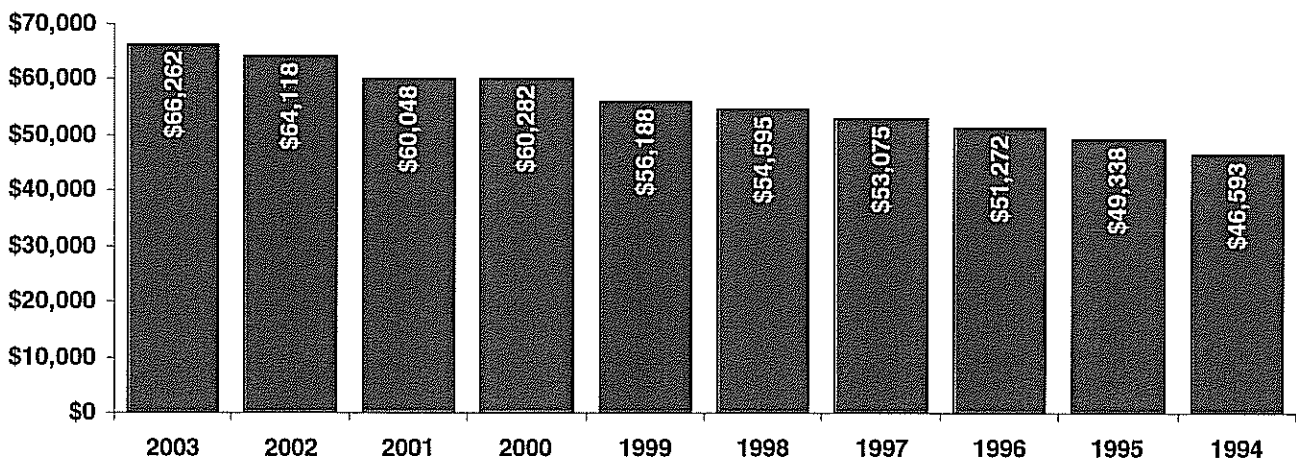


Source: Clemson University Office of Institutional Research.

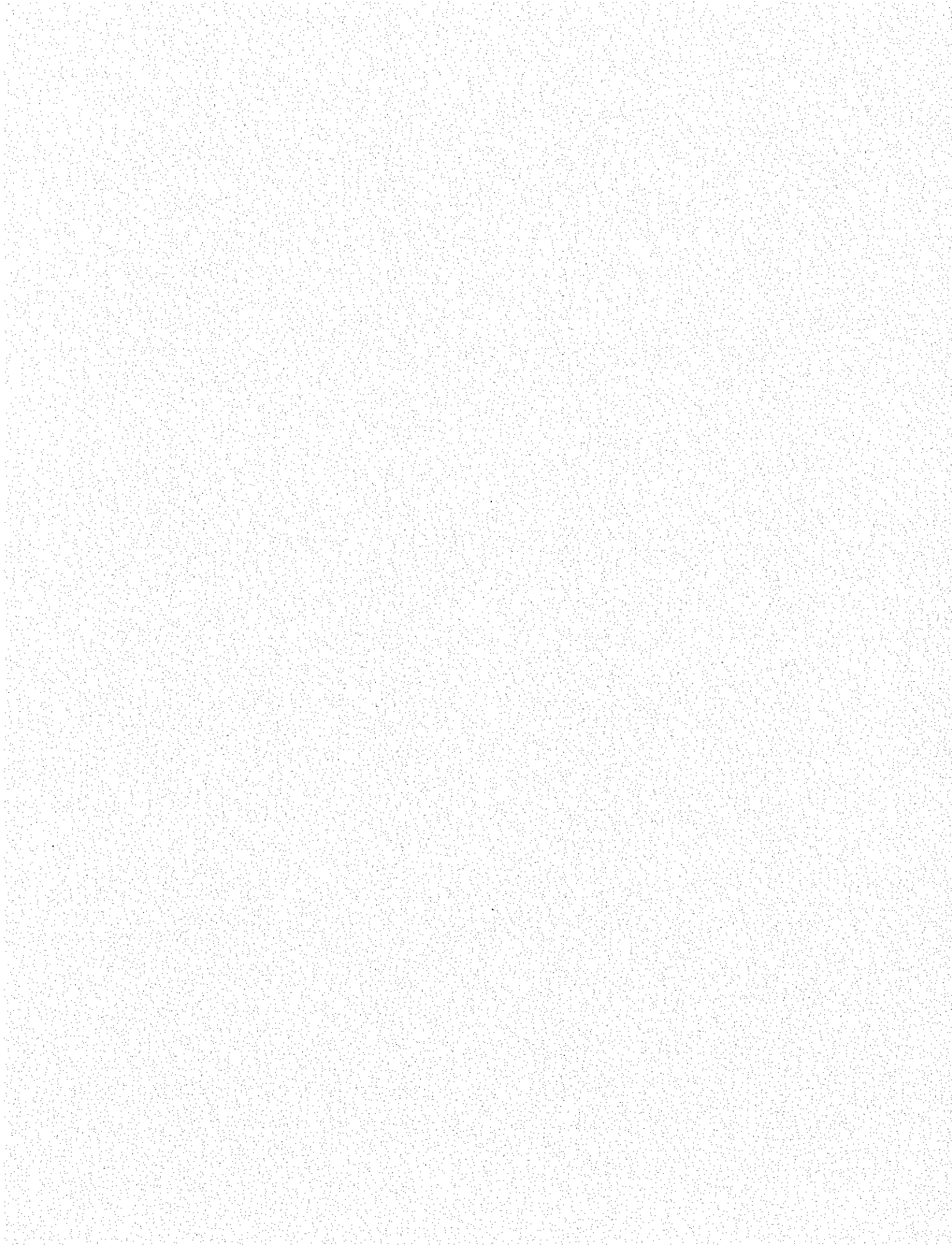
### Students Per Faculty/Staff



### Average Annual Faculty Salary







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

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