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, 2006

Prepared by the Comptrollers Office

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Introductory Section

President's Letter 2006

Dear Friends of Clemson:

Clemson University made significant progress last year toward our goal of becoming a top-tier public research university. This progress is a key strategic component of statewide efforts to bring innovation, vitality and sustained economic growth to South Carolina. We remain committed to serving the citizens of our state through quality education, research and public service, as we have since our founding more than 100 years ago.

Clemson's automotive research campus in Greenville (CU-ICAR) continues to take shape with remarkable speed. Two of the four endowed chairs, supported by BMW and Michelin, have been filled and the Timken Chair was announced. Facilities are up and running and the first class of Ph.D. students was admitted. With recruiting for master's degree candidates to begin next year, the goal is within sight to have a contributing program of research and graduate education to provide highly skilled manpower and support to the automotive industry in South Carolina and the Southeast.

The Clemson University Restoration Institute in Charleston was approved and affirmed last year, and our work in advanced fibers and materials was strengthened by a record-breaking gift from the Sirrine Textile Foundation.

Our initiatives in research and economic development contribute to the underlying quality of the undergraduate experience. The year 2005-2006 saw the first wave of faculty hiring to replace retiring professors and to add strength in selected areas, including undergraduate education. This meant more excellent teachers and smaller classes. Academic advising, tutoring and supplemental instruction all improved, and these factors together translated into a higher graduation rate. Clemson's leadership in undergraduate research was affirmed by our selection to host the ACC's first annual academic conference on the subject, attended by students and faculty from Boston to Miami.

Such outcomes are the real motivation behind Clemson's drive to be one of the nation's top 20 public universities. Our vision is not about a magazine ranking. That is just a handy yardstick – shorthand – for measuring our progress in hiring and retaining outstanding faculty, attracting top students, providing an unmatched academic experience and contributing to a strong economy, so that opportunities exist for our graduates to remain in-state and continue contributing to the quality of life in South Carolina.

Sincerely,

James F. Barker, FAIA
President

CLEMSON
UNIVERSITY

University Goals

- **Academics, research and service**
  - Excel in teaching, at both the undergraduate and graduate levels.
  - Increase research and sponsored programs to exceed $150 million a year in research support.
  - Set the standard in public service for land-grant universities by engaging the whole campus in service and outreach, including a focus on strategic emphasis areas.
  - Foster Clemson's academic reputation through strong academic programs, mission-oriented research and academic centers of excellence, relevant public service and highly regarded faculty and staff.
  - Seek and cultivate areas where teaching, research and service overlap.

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

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

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

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

CLEMSON
UNIVERSITY

LETTER OF TRANSMITTAL

September 16, 2006

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, 2006. The report provides financial information about the University's operations during the year and describes its financial position at the end of the year. For the convenience of users, we have divided the report into three sections as follows:

The ***Introductory Section*** includes this letter of transmittal, the Certificate of Achievement of Excellence in reporting awarded to the University for the year ended June 30, 2005; a listing of the University Board of Trustees; and an organization chart.

The ***Financial Section,*** including the independent auditors' report, management's discussion and analysis, and the basic financial statements.

The ***Statistical Section***, presenting comparative financial data and other non-financial data.

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

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the fiscal year ended June 30, 2006, the State Auditor contracted with the independent certified public accounting firm of KPMG, LLP, to perform the University's annual audit. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The independent auditor's report is located at the front of the financial section.

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

Profile of The University

Clemson University was founded in 1889, a legacy of Thomas Green Clemson, who willed his Fort Hill plantation home, its surrounding farmlands and forest, and other property to the state of South Carolina to establish a technical and scientific institution for South Carolina. Clemson opened its doors to 446 students as a military college in 1893.

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

Clemson University is governed by a board of thirteen members, including six elected by the State General Assembly and seven appointed self-perpetuating life members. Clemson University operates as a unit of the State of South Carolina (the primary government) as a state assisted institution of higher education.

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

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

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

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

Local Economy

Although South Carolina has historically been a textile manufacturing state, in recent years the State's economic base has been transitioning toward other sectors such as trade, health care, services, and durable goods manufacturing. Businesses, many of them international, have migrated to the state in recent years to take advantage of the State's skilled labor work force, competitive wages, lower-priced land, excellent port facilities and substantial tax incentives.

State nonagricultural employment increased by 1.5 percent to 1.86 million in 2005, adding 27,400 jobs. The service-providing sector actually added 31,400 jobs, led by professional and business services, trade, transportation and utilities, and education and health services. This gain was offset by a loss of 3,600 jobs in the goods-producing sector. Gains in construction were not enough to offset almost 6,000 manufacturing jobs, mainly in textile mills.

The South Carolina Department of Commerce assisted with the expansion or location of 137 firms creating 12,370 jobs in 2005. These companies invested $2.66 billion in the State. The projected average wage for Commerce-assisted job creation was $39,283, an increase of 13 percent from the previous year.

South Carolina's unemployment rate for 2005 was 6.8 percent, tied with Alaska for the third highest in the nation. Only Mississippi (7.9 percent) and Louisiana (7.1 percent) experienced higher unemployment rates. Nationally, the unemployment rate for 2005 was 5.1 percent. Although average unemployment rates decreased from 2004 to 2005 in 39 states, and increased in 9 states, South Carolina was one of only two states in which the rate remained the same.

South Carolina continued to experience an increase in population. Based on U.S. Census Bureau data, the State's growth rate for 2005 was the 12th fastest in the United States. Since Census 2000, the State has added over 243,000 residents, representing a growth rate of 6.1 percent.

State per capita income – total income divided by the total resident population – advanced slower than the U.S. average according to U.S. Bureau of Economic Analysis data. South Carolina per capita income grew by 4.3 percent to $28,352. In comparison, U.S. per capita income rose 4.6 percent to $34,586.

According to the South Carolina Association of Realtors, a record number of homes were sold in 2005. New and existing home sales totaled $72,811, up 23 percent over the previous year, and nearly double when compared to 2000. Statewide, the median value of home sold was $148,000.

Long-term Financial Planning

Since July, 2001, the University has incurred five state appropriation budget cuts. Although the University received an additional $8.1 million in state appropriations for the fiscal year ending June 30, 2006, this aggregate loss of state support has been the primary driver of student fee increases for the last several years.

Student fees remain the largest single source of University revenue. For 2005-06, the Board of Trustees approved a baseline student fee increase of 12.4%. Externally imposed costs and revenue losses totaled $7.5 million and were responsible for 5.2% of the student fee increase. The remaining 7.2% increase, intended to yield $9 million, was approved to:

1) Continue funding the University's Academic Road Map
2) Increase academic recruiting scholarships
3) Fund graduate research initiatives
4) Fund facilities operations and capital expenditures

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

The University is a direct beneficiary of two laws designed to foster a knowledge-based economy and spur economic growth. The South Carolina Research Centers for Economic Excellence Act earmarked state lottery funds for research related to economic development. The private match requirement has resulted in mutually beneficial partnerships with such international firms as BMW and Michelin. These public/private partnerships are the cornerstones of the Clemson University International Center for Automotive Research (CU-ICAR), which admitted its first students in the fall of 2006.

The Research Universities Infrastructure Act provided a $10.3 million award for the Clemson University Restoration Institute (CURI). This award matched a gift from the city of North Charleston, SC to establish a research campus devoted to the "restoration economy". CURI will focus on historic preservation, environmental clean-up, and the restoration of aging infrastructure.

Major Initiatives

In 2005-2006, Clemson University continued its transformation from a respected state and regional university into a nationally ranked, selective research university that is helping to shape South Carolina's economic future by offering a top-quality undergraduate education and cutting-edge research.

The University announced major new developments in its effort to focus research and graduate education in areas that will support knowledge-based industry clusters.

Among them:

- Todd H. Hubing, Ph.D., was hired to fill the second of four endowed chairs in automotive engineering funded through the SC Research Centers of Economic Excellence Act. Hubing will hold the Michelin Endowed Chair in Vehicular Electronic Systems Integration at CU-ICAR. The first graduate students in the University's new Ph.D. program in automotive engineering were admitted to begin work in Fall 2006. The graduate program will be housed in the new Carroll A. Campbell Graduate Engineering Center under construction at the automotive research campus in Greenville.
- The Timken Company became a partner in CU-ICAR and announced its decision to relocate its powertrain engineering center, with 110 jobs, in Greenville. Timken annually invests $50 million in its R&D facilitites worldwide, and made a commitment of $3 million to fund The Timken Chair in Automotive Design and Development at Clemson.

The SC Research Centers for Economic Excellence Act of 2001 earmarked a portion of state lottery funds for research related to economic development. By requiring a private match, the funds help institutions leverage state support to raise capital from the private sector. Public and private funding commitments for automotive and transportation research at Clemson now total $215 million and will generate 500 jobs by 2007.

Other economic development initiatives in 2005-06 include:

- CURI, established in 2004, was given 80 acres by the City of North Charleston, SC, to establish a research campus to study methods and materials crucial to the "restoration economy." This was matched by $10.3 million in State funds through the Research Universities Infrastructure Act, as well as $2 million for an endowed chair in urban ecology and restoration. The restoration economy is huge, representing investments in everything from historic preservation to cleaning up polluted industrial sites to restoring storm-damaged and aging infrastructure.
- The J.E. Sirrine Textile Foundation announced a gift of $5.6 million, the largest foundation gift in Clemson history, to the School of Materials Science and Engineering to support two endowed chairs in glass optical fibers and advanced materials fibers. This private support will match state funds previously approved, bringing a total of $90 million the investment in advanced materials research at the Clemson Research Park, where Hitachi has also invested in making the Clemson Electron Microscope Laboratory one of the best university facilities of its kind anywhere.
- A new endowed chair in Nutrigenomics was also approved.

The Bioengineering Department, in partnership with USC, MUSC and four undergraduate schools, will share in a $17.3 million NIH grant to study biomaterials and regenerative medicine. Researchers on lightweight composite materials will participate in a defense contract potentially worth $150 million, which was awarded to the SC Research Authority and the Applied Research and Development Institute, located in the Clemson Research Park in Anderson County.

These projects represent just a few examples of the important research work done every year. Altogether, Clemson announced in 2005-2006 a record-breaking $125 million in competitive research grants and contracts for the previous fiscal year. Private giving and alumni support in 2005-2006 topped $59 million, and the percentage of alumni giving to Clemson rose from 26 percent to 27 percent.

Also in 2005-2006, Clemson enrolled a freshman class which set two new records — SAT scores averaged 1225 and 45 percent of freshman ranked in the top 10 percent of their high school graduating classes. Enrollment in Calhoun Honors College grew by 16 percent, and minority freshman enrollment climbed from 191 to 240 students in one year. The University also exceeded its goal of teaching at least 30 percent of its classes with a class size of 20 or fewer students.

A new "Bridge to Clemson" program was announced, which provides South Carolina students an opportunity to begin their education as residential students at nearby Tri-County Technical College and make a seamless transition to Clemson in later years.

The National Science Foundation and the Howard Hughes Medical Institute each awarded $2 million to Clemson to improve undergraduate education in the "STEM" disciplines – science, technology, engineering and math – to improve science teaching, and to help prepare middle school and high school students for higher education in the sciences. The Wachovia Foundation committed $1 million for the Emerging Scholars program and the "Call Me Mister" program to encourage African-American men to become teachers.

Clemson ranked 30th in the *U.S. News and World Report* listing of the nation's top national public universities, and was ranked 24th by *Kiplinger's* magazine as one of the "Kiplinger 100 Best Values in Public Colleges."

"The Decameron Project," an original play that capped off a three-year creative inquiry project involving students of English and the Performing Arts, won regional honors from the Kennedy Center American College Theater Festival and was invited to perform at the Edinburgh Festival in Scotland. Clemson also hosted *Meeting of the Minds*, the first-ever ACC conference on undergraduate research, and the 8th International *Writing Across the Curriculum* conference.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clemson University for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Sincerely,

Steven E. Copeland
Interim 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, 2005

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

President

Executive Director

CLEMSON UNIVERSITY BOARD OF TRUSTEES

(as of June 30, 2005)

TRUSTEES

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

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

Bill L. Amick
Chairman and CEO, Amick Farms

Lawrence M. Gressette, Jr.
SCANA Corporation

Thomas C. Lynch, Jr.
Pharmacist, Retired

Louis B. Lynn
President, ENVIRO AgScience, Inc.

Patricia Herring McAbee
Vice President, Custom Development Solutions

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

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

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

Robert L. Peeler
Agent, McGee Real Estate

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

Joseph D. Swann
President, Rockwell Automation Power Systems

TRUSTEE EMERITI

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

Fletcher C. Derrick, Jr.
Urologist

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

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

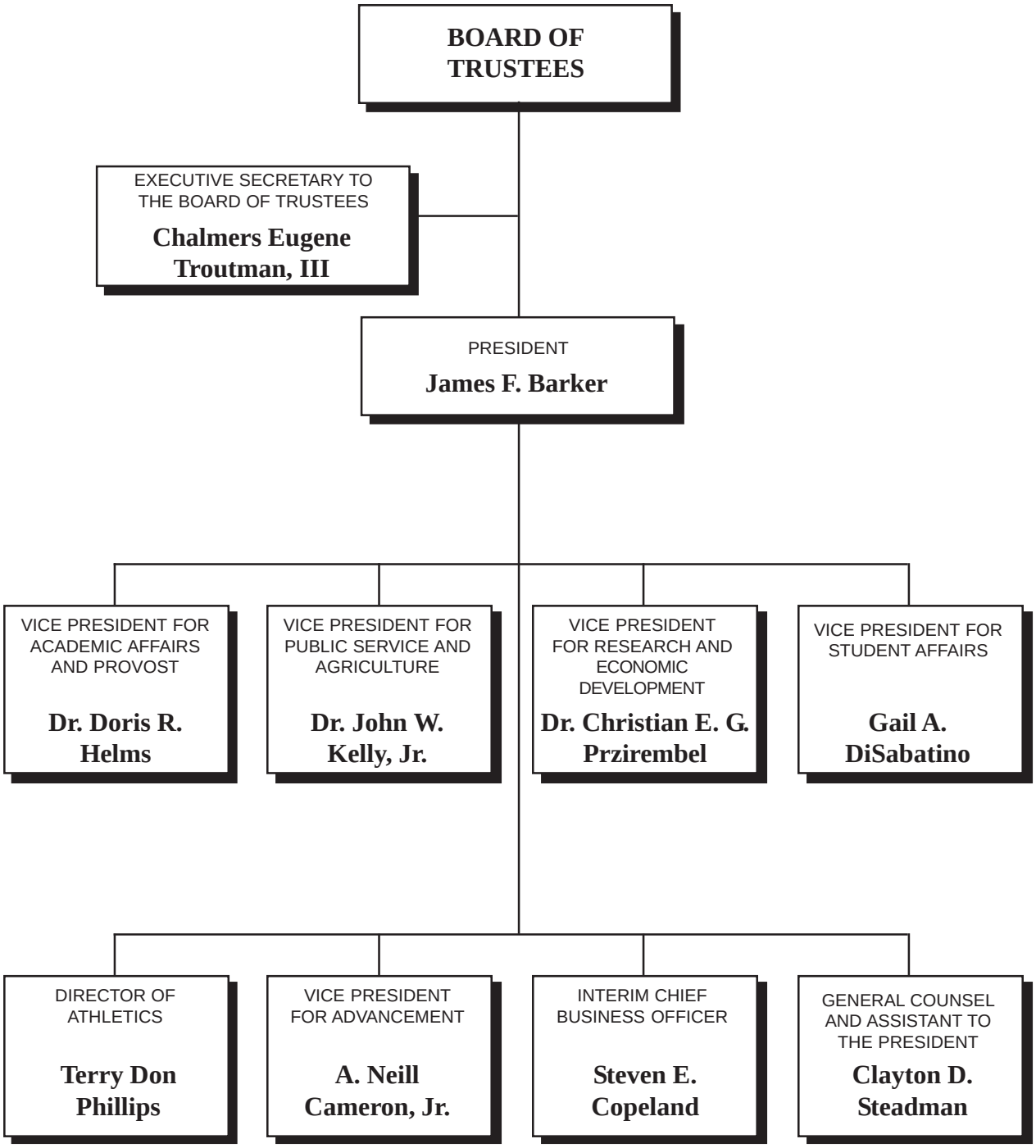
Paul W. McAlister
Retired

D. Leslie Tindal
Retired
South Carolina Commissioner of Agriculture

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

CLEMSON UNIVERSITY ORGANIZATION CHART

(as of June 30, 2005)



Financial Section

State of South Carolina

Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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

October 6, 2006

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, 2006, 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,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

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

Independent Auditors' Report

Mr. Richard H. Gilbert. Jr., CPA
Interim State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Clemson University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2006, which collectively comprise the University's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Clemson University Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards.* An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances. but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Clemson University are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the business-type activities and aggregate discretely presented component units of the State of South Carolina that is attributable to the transactions of Clemson University. They do not purport to. and do not, present fairly the financial position of the State of South Carolina as of June 30, 2006, the changes in its financial position. or 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 respective financial position of the business-type activities and the aggregate discretely presented component units of Clemson University as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP, a U.S. limited liability parinerstrip, is the U.S. member firm of KPMG International, a Swiss cooperative
.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 22, 2006 on our consideration of the University's internal control over financial reportin[g] and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

KPMG LLP

September 22, 2006

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 2006. While audited financial statements for fiscal year 2005 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data.

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

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

Statement of Net Assets

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

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

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

Assets – increase of $74.8 million

- Current assets increased by $33 million. The unrestricted cash increase was attributable to the Board-approved tuition increase of 12.4 percent. The restricted cash increase resulted from proceeds still on hand from the issuance of almost $23 million in new Athletic Facilities and Housing Revenue bond debt. The accounts receivable increase of $3.7 million was due to amounts due from State Economic Development and Research Infrastructure Bonds for capital projects of $2.7 million, and Athletics accounts receivable for radio and television rights and corporate sponsorships. The $244,000 decline in grants and contracts receivable stemmed from decreases in projects funded by the State Department of Health & Environmental Control and the SC Research Authority. Increases in workers compensation premiums and a reservation of the National Optical Astronomy Observatory telescope accounted for the $692,000 increase in prepaid expenses.
- The net capital assets increase of $36.4 million resulted from a decrease in non-depreciable assets of $1.7 million and an increase in depreciable assets of $38.1 million. A $1.6 million purchase of land for the CU-ICAR project, coupled with a $3.2 million decline in construction in progress accounted for the decrease in non-depreciable assets. The increase in depreciable assets was attributable to the completion of the fraternity dormitories and CU-ICAR Information Technology Research Center. In addition, purchases of equipment and vehicles and additions to utilities and other nonstructural improvements were up $2.9 million and $1.9 million, respectively.
- Other assets increased $5.5 million. The balance on loan to the Clemson University Foundation (CUF) increased $16.8 million, due to a cash transfer from the University of $9.8 million and appreciation on the CUF loan of $7 million. Correspondingly, the cash transfer to CUF was almost solely responsible for the $10.7 decrease in noncurrent restricted cash balances. Noncurrent contributions receivable decreased $1.1 million due to the payment of IPTAY Life pledges. Two new bond issues resulted in a $251,000 increase in noncurrent bond issue costs and noncurrent student loans receivable increased $211,000.

Liabilities – increase of $16.2 million

- Current liabilities increased by $2 million. The $2.3 million increase in accounts payable was mainly attributable to an increase in Athletics accounts payable of $1.1 million and amounts owed to members of the National Textile Consortium of almost $900,000. The Athletics increase stemmed from costs of hosting NCAA

regional and super regional baseball tournaments, and playing in the College World Series in Omaha. In addition, contractual payments to Athletic coaches, which previously were paid directly to them, were passed-through the University and were payable at fiscal year end. The accrued payroll and related liabilities decrease was due to a fiscal year end accrual of 10 percent vs a 100 percent accrual for the previous year. The deferred revenues increase of $5 million resulted from an additional $4.2 million in sales of tickets and stadium suites for the fall football season, and increased advances for sponsored programs totaling almost $900,000. The issuance of new debt resulted in increases in the current portion of bonds, capital leases and notes payable. A State mandated 3 percent pay raise at fiscal year end resulted in an increase in accrued compensated absences and related liabilities of approximately $300,000. An increase in study abroad programs contributed to the approximately $150,000 rise in funds held for others.

- Noncurrent liabilities increased by $14.2 million. Two new bond issues in December, 2005, resulted in a $13.3 million increase in bonds payable. A $2.1 million loan for a new scoreboard in Memorial Stadium accounted for the $1.5 million increase in notes payable. Capital leases declined $1.2 million as there were no materially large additions this past fiscal year. The State mandated 3 percent pay raise was also responsible for the increase in the long term portion of accrued compensated absences and related liabilities. Longevity supplements for athletic coaches accounted for the increase in the long term portion of funds held for others.

Net Assets – increase of $58.6 million

- Capital assets, net of related debt contributed $21.9 million of the $58.6 million increase. This resulted from increases in net capital assets of $36.4 million as discussed above, along with an increase in capital debt of $14.5 million.
- Restricted for expendable net assets increased $15.5 million, based on the following:
  - ➤ Restricted – expendable net assets for capital projects increased $9.9 million due to cash on hand from two December, 2005, bond issues.
  - ➤ Restricted – expendable assets for instructional departmental use increased $3.8 million due to increased support for the Greenville Higher Education Consortium, the Call Me Mister Program and the West Zone project.
  - ➤ Restricted – expendable assets for debt service increased $815,000 due to increased and maturing capital debt.
  - ➤ Restricted – expendable assets for scholarships and fellowships increased $700,000 due to additional State lottery funding of scholarships.
  - ➤ Restricted – expendable assets for research and student loans exhibited no material change.
- Unrestricted net assets increased $13.6 million, based on the following:
  - ➤ Almost $9 million of the Board-approved tuition increase was designated to fund: 1) continuation of the University's Academic Road Map, 2) increased recruiting scholarships, 3) graduate research initiatives and 4) facilities operations and capital expenditures. Plant fund projects funded by unrestricted sources (including auxiliaries) increased $7.9 million. Auxiliary net assets, after plant-related transfers, actually declined $348,000. $7.5 million of the Board-approved tuition increase was due to externally imposed costs and revenue losses. This resulted in an increase in educational and general net assets of $2.5 million.

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

	2006	2005	Increase/ (Decrease)	Percent Change
Assets				
Current assets	$ 229,087	$ 196,121	$ 32,966	16.81%
Capital assets, net	471,071	434,703	36,368	8.37%
Other assets	107,287	101,773	5,514	5.42%
Total Assets	807,445	732,597	74,848	10.22%
Liabilities				
Current Liabilities	81,534	79,513	2,021	2.54%
Noncurrent Liabilities	159,652	145,418	14,234	9.79%
Total Liabilities	241,186	224,931	16,255	7.23%
Net Assets				
Invested in capital assets, net of debt	315,987	294,089	21,898	7.45%
Restricted - nonexpendable	26,184	18,632	7,552	40.53%
Restricted - expendable	132,724	117,212	15,512	13.23%
Unrestricted	91,364	77,733	13,631	17.54%
Total Net Assets	**$ 566,259**	**$ 507,666**	**$ 58,593**	11.54%

- ➤ Increases in public service revenues, camp fees, publication sales and regulatory fees resulted in an increase of $3.6 million. Increased fees have been earmarked as matching funds for a future turf grass facility.
- The $7.5 million increase in restricted – nonexpendable net assets for scholarships and fellowships resulted from $7.5 million in State lottery funding for four University endowed professorships.

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

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

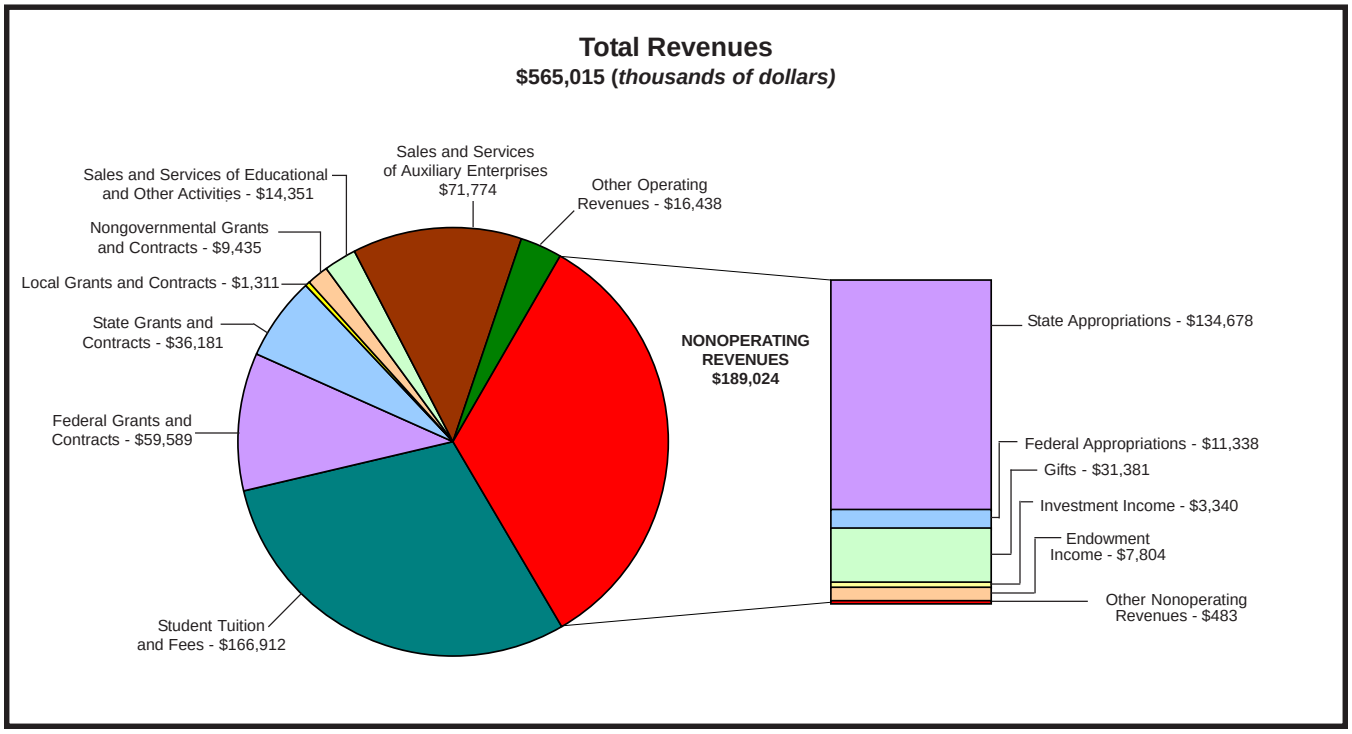
	2006	2005	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	$ 166,912	$ 149,405	$ 17,507	11.72%
Sales and services	86,125	79,089	7,036	8.90%
Grants and contracts	106,516	105,018	1,498	1.43%
Other operating revenues	16,438	14,496	1,942	13.40%
Total Operating Revenues	375,991	348,008	27,983	8.04%
State appropriations	134,678	126,589	8,089	6.39%
Federal appropriations	11,338	10,986	352	3.20%
Gifts	31,381	28,686	2,695	9.39%
Investment income	11,144	11,354	(210)	(1.85)%
Other nonoperating revenues	483	657	(174)	(26.48)%
Proceeds from the sale of land	—	5,029	(5,029)	(100.00)%
Total Nonoperating Revenues	189,024	183,301	5,723	3.12%
Total Revenues	565,015	531,309	33,706	6.34%
Expenses:				
Compensation and employee benefits	341,740	314,270	27,470	8.74%
Services and supplies	140,594	134,961	5,633	4.17%
Utilities	13,884	12,032	1,852	15.39%
Depreciation	25,829	24,474	1,355	5.54%
Scholarships and fellowships	6,319	8,115	(1,796)	(22.13)%
Total Operating Expenses	528,366	493,852	34,514	6.99%
Interest expense	7,014	6,743	271	4.02%
Loss on disposal of capital assets	686	553	133	24.05%
Refunds to grantors	182	256	(74)	(28.91)%
Total Nonoperating Expenses	7,882	7,552	330	4.37%
Total Expenses	536,248	501,404	34,844	6.95%
Income before other revenues, expenses, gains or losses	28,767	29,905	(1,138)	(3.81)%
State capital apppropriations	19,938	12,469	7,469	59.90%
Capital grants and gifts	2,727	7,487	(4,760)	(63.58)%
Additions to permanent endowments	7,508	2,170	5,338	245.99%
Transfers to state general fund	(347)	(198)	(149)	75.25%
Change in Net Assets	58,593	51,833	6,760	13.04%
Net Assets, Beginning	507,666	455,833	51,833	11.37%
Net Assets, Ending	**$ 566,259**	**$ 507,666**	**$ 58,593**	11.54%

revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues and are reported after "Income before other revenues, expenses, gains or losses."

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

Total Revenues – increase of $33.7 million

- Operating revenues increased $28 million, based on the following:
  - Student tuition and fees increased $17.5 million, the result of a Board approved increase of 12.4 percent, and an increase in enrollment of 95 students.
  - Sales and services revenues increased $7 million. Athletics contributed $3.5 million of the $5.2 million increase in sales and services of pledged auxiliaries due to increased ticket sales, bowl revenues, radio and television rights and corporate sponsorships. The remaining balance of the pledged revenues increase was attributable to Board approved Housing and Food Services increases. Sales and services of non-pledged auxiliaries increased $1.1 million, primarily because of increased information and systems development fees and increases in summer programs. The remaining $700,000 increase in sales and services was attributable to public service educational activities, including leadership centers and camps, regulatory and local county fees.
  - Grants and contracts revenues increased $1.5 million. State funded grants and contracts, driven by increases in State lottery funded scholarships, increased $1.1 million. The $1.1 million increase in Federal grants and contracts revenues was attributable to an increase in wireless communications projects funded by the Office of Naval Research. These increases were offset by modest declines in local and nongovernmental grants and contracts of approximately $350,000 each.
  - Fees for computer services provided to other State agencies generated almost one half of the $1.9 million increase in other operating revenues. Reimbursements for contract courses, testing service fees and membership/consortium fees yielded an increase of almost $750,000. The remainder of the increase was attributable to orientation, registration, student health, and recreation facility fees assessed to students.
- Nonoperating revenues increased $5.7 million, based on the following:
  - State appropriations increased $8.1 million. Base appropriations for Educational & General activities increased $5 million, and base appropriations for public service activities increased $2.5 million. In addition, the University received supplemental appropriations of $400,000 for deferred maintenance projects and $408,000 for the Center for Optical Materials Science and Engineering Technologies.
  - The $352,000 increase in federal appropriations was mainly attributable to the differences in federal and state fiscal year ends. Awards for the Smith-Lever, Hatch, McIntire-Stennis, and Animal Health programs remained virtually the same.
  - The $2.7 million increase in gifts was attributable to a $1.5 million increase in IPTAY contributions to provide athletic scholarships and a $1.2 million increase in gifts



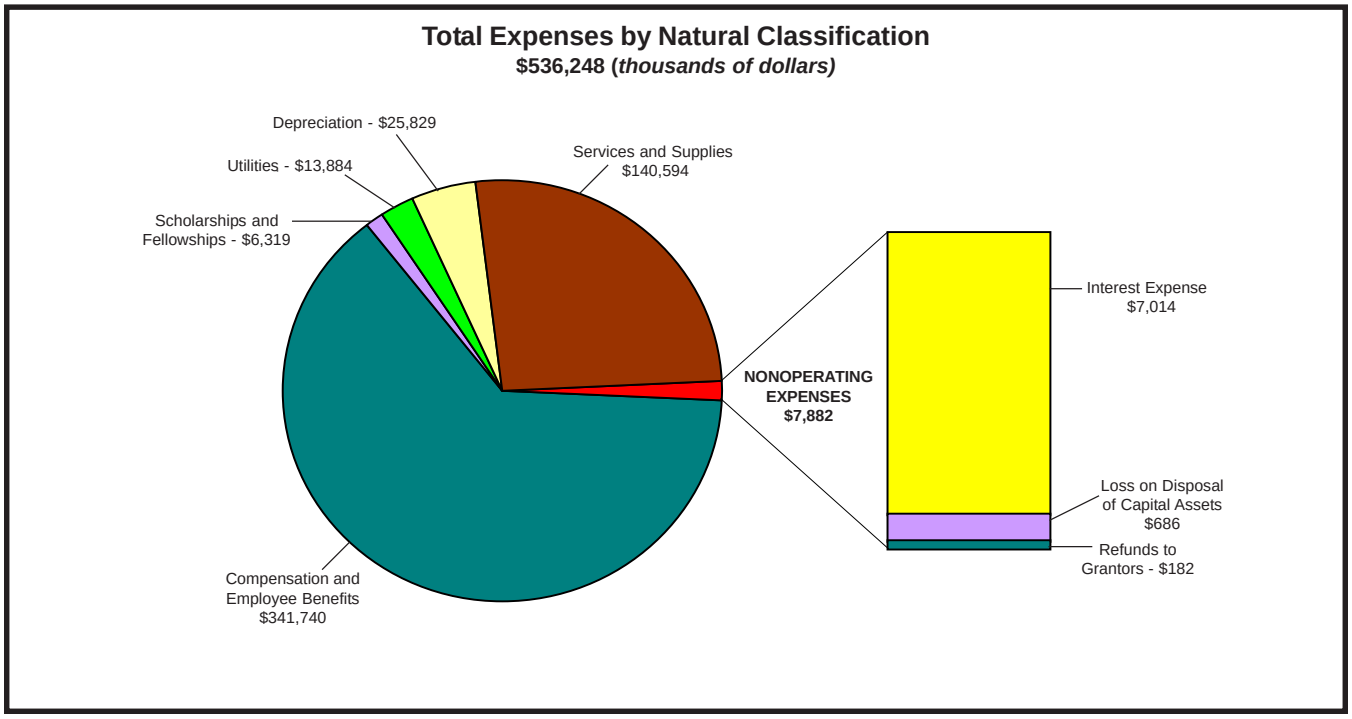
for the new West Zone section in Memorial Stadium.

- Investment income decreased $210,000. However, this decrease was the product of several components. Actual investment income receipts and accruals from the State Treasurer's Office were up $1.3 million, mainly attributable to investment earnings on bond proceeds. As a participant in the State's internal cash management pool, the University is allocated a pro rata share of the State's fair value adjustment. As of June 30, 2006, the State's investment holdings were valued less than cost, resulting in an unrealized appreciation loss of almost $1.6 million (compared to an unrealized gain of $1.5 million for the previous fiscal year end). This fair value loss on State investments was mitigated by a $1.6 million gain on endowment holdings on loan to the Clemson University Foundation.
- The other nonoperating revenues decrease of $174,000 was attributable to a decline in land-use restricted timber sales.
- For the previous fiscal year, proceeds from the sale of property at Myrtle Beach yielded $5 million. There were no similar sales for the year ending June 30, 2006.

Total Expenses – increase of $34.8 million

- Operating expenses increased $34.5 million, based on the following:

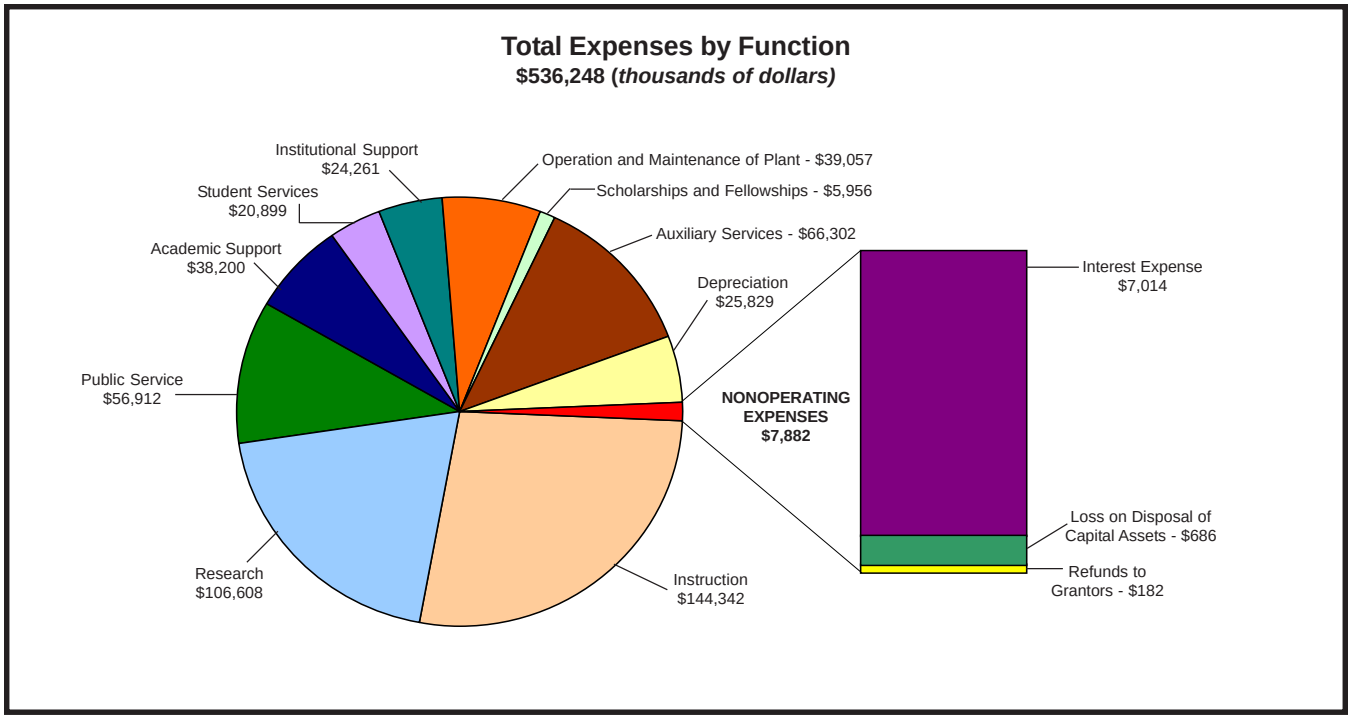
  - Compensation and employee benefits increased $27.4 million. A State mandated 4 percent cost-of-living raise largely contributed to this increase, particularly for the $5.8 million increase in staff salaries. Also contributory, was the hiring of new faculty to replace retirees in the State TERI program, resulting in a $12.4 million increase in unclassified salaries. Tuition increases directly resulted in a $2.4 million increase in the value of graduate assistant waivers, while graduate assistant salaries increased $1 million. Temporary salaries and wages increased $2.2 million, as these employees bridged the gap between retiring and newly hired employees. Fringe benefit costs, in accordance with the increases detailed above, increased by approximately $3.6 million.
  - Services and supplies expenses increased approximately $5.6 million. Operation and maintenance of plant costs accounted for $2.7 million of this increase due to the utilization of Academic Road Map funds for facilities repairs and renovations. Institutional support costs accounted for $782,000 of this increase due to the purchase of the PeopleSoft E-Recruitment module and increases in Oracle/PeopleSoft licensing. Also contributing, were consulting fees associated with the facilities and administrative rate negotiation with the federal government, a revenue enhancement study, and fees paid to a Washington, DC legislative advisory firm. Academic support costs increased $545,000, primarily due to software maintenance contracts and increases in library serials. Student services expenses increases of $257,000 were mainly attributable to increased student concert support expenses for Tiger Paw Productions, the purchase of new campus recreation athletic equipment, and costs associated with the search for a new Dean of Student Affairs. Public service expense actually increased $1.1 million, attributable to the installation of T-1 network lines throughout the



State and maintenance and repairs to camps and leadership centers that had been deferred in recent years due to State budget cuts. Costs for instruction, research and auxiliaries did not materially change.

- Utilities expenses increased $1.9 million. Rising energy costs resulted in a $1.3 million increase in heat, light and power charges. Housing felt this increase most significantly as the newly renovated fraternity dormitories were placed back in service. Increased telecommunication rates accounted for $500,000 of the utilities expense increase.
- Depreciation expenses increased $1.4 million. Approximately $46 million in new buildings resulted in an increase of approximately $1 million in depreciation. Approximately $3.25 million in net new additions for equipment and vehicles resulted in an increase of $368,000 in depreciation.
- Scholarships and fellowships expenses decreased $1.8 million. Increases in tuition and auxiliary fees resulted in less available to pay-out to students.

- Nonoperating expenses increased $330,000, based on the following:
  - Interest expense increased $271,000 due to previously maturing debt and two new bond issues and a new $2.1 million note payable.
  - Losses on disposal of capital assets increased $133,000 due to the transfer of equipment to other Universities as faculty and researchers transferred to other institutions.
  - Refunds to grantors decreased $74,000 due to fewer returns of unspent advances.
    - The State capital appropriations increase of $7.5 million was primarily attributable to the newly created State Research Infrastructure Bond program. Funded by lottery proceeds, the University received $7.8 million in research infrastructure bond funds for the CU-ICAR project.
    - Capital grants and gifts decreased $4.8 million, almost solely attributable to a $4.6 million gift for the West Zone project received from the Clemson University Foundation in the prior fiscal year.
    - The $5.3 million increase in additions to permanent endowments resulted from the receipt of State lottery funds for four endowed professorships this past fiscal year.
    - Transfers to the state general fund increased $149,000 due to the close-out of the Lifelong Improvement in Nutrition of the Community (LINC). Previously accrued facilities and administrative recoveries were required to be remitted to the State upon the end of the program.



Statement of Cash Flows

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

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2006 and June 30, 2005 were as follows:

Capital Assets (net of accumulated depreciation)

	2006	2005	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	$ 9,971,751	$ 8,392,893	$ 1,578,858	18.81%
Construction in Progress	51,365,515	54,602,080	(3,236,565)	(5.93)%
Utilities Systems and Other Non-Structural Improvements	16,674,661	14,736,156	1,938,505	13.15%
Buildings and Improvements	351,007,991	317,667,564	33,340,427	10.50%
Computer Software	110,341	220,682	(110,341)	(50.00)%
Equipment	36,077,307	34,214,568	1,862,739	5.44%
Vehicles	5,863,424	4,868,473	994,951	20.44%
Total	**$ 471,070,990**	**$ 434,702,416**	**$ 36,368,574**	8.37%

This past year the University completed two major building projects. A three-year major renovation of the fraternity dormitories costing $27 million was finished in time for student occupancy in the fall semester. Also, the first building at the Clemson University International Center for Automotive Research (CU-ICAR) was completed. This $15 million building, the Information Technology Research Center, was occupied by BMW in the fall.

An additional 19 acres of land was purchased at a cost of $1.6 million from the Clemson University Real Estate Foundation this past year for future CU-ICAR development. At fiscal year end, two CU-ICAR buildings - the Carroll A. Campbell, Jr. Graduate Engineering Center, and a supporting parking structure were components of construction in progress. Both buildings were scheduled to be completed in the current fiscal year.

The bulk of the balance in construction in progress, $34.5 million, was associated with the West Zone project in Memorial Stadium. This major expansion designed to enclose the stadium, add club level seats, and meeting and training facilities was scheduled for completion in the fall.

For additional information about capital assets, see Note 4 in the notes to the financial statements.

Debt Administration

The University's financial statements indicate $150,091,524 in bonds payable, $3,142,861 in capital leases payable and $2,771,079 in notes payable at June 30, 2006.

The University's bonded indebtedness consisted of: General Obligation Bonds of $43,655,000, Plant Improvement Bonds of $3,770,000 and various Revenue Bond issues totaling $102,666,524. General Obligation Bonds are obligations of the State of South Carolina and are secured as to principal and interest by a pledge of full faith, credit, and taxing power of the State and are paid with tuition and matriculation fees. Plant Improvement Bonds are secured by a pledge of a special student fee designated for the improvement of plant. Revenue bonds issued for student and faculty housing, plant improvement, parking and various auxiliary facilities are paid with pledged net revenues, special imposed student fees, and stadium seat taxes.

The $3,142,861 in capital leases is comprised of four leases for land and real estate and an equipment lease. Two of these leases are with the Clemson University Research Foundation, a component unit.

The $2,771,079 in notes payable is comprised of a note from the South Carolina State Energy Office to upgrade campus lighting, a construction loan with the Clemson University Foundation, a component unit, and a note with Bank of America used to construct a new scoreboard in Memorial Stadium.

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

Economic Outlook

As a State supported higher education institution, the University's economic position is closely tied to the State of South Carolina. The State ended fiscal year 2006 with a $172 million surplus. Collections for individual income taxes were up almost 18 percent. Collections for corporate income taxes increased almost 38 percent. Retail sales tax collections increased almost 10 percent.

This past year the State created a new Contingency Reserve Fund with surplus budget revenues. Since the State Capital Reserve Fund and General Reserve (Rainy Day) Fund were both fully funded at $150 million and $100 million, respectively, the 2006 surplus of $172 million will be designated for the Contingency Reserve Fund. This new reserve fund is to be used to help the State recover from devastating storms like Hurricanes Katrina and Hugo. Once the Legislature returns in January, it can use the remaining balance in the Contingency Reserve Fund for capital expenditures like highways, bridges, school buildings or school buses.

State capital appropriations increased almost $7.5 million in fiscal year 2006. This increase was mainly attributable to new State Research Infrastructure Bond proceeds used for the Clemson University International Center for Automotive Research (CU-ICAR), in Greenville, SC. This commitment indicates the State's desire to move towards a diversified, knowledge-based economy.

State appropriations, used to fund operations, increased $8.1 million, a significant increase over recent years, but still well below the amount needed to fund State mandated pay increases and other costs. State Lottery proceeds were responsible for $7.5 million in endowed professorships, and an increase of $1 million for state-funded scholarships.

To offset rising costs and support continued investment in academic quality, the 2007 budget approved by the Board of Trustees reflected a 5.8 percent tuition increase for residents, and a 7.1 increase for non-residents. These were the first "single-digit" increases in several years. The Board expressed its appreciation to the State Legislature for the significant increase in State appropriations which allowed the relatively modest tuition increase.

The University finished the year better off than the previous year. Applications for the Fall 2006 semester were at an all-time high. Numerous Dean, executive and faculty positions were filled with top-tier candidates, validating the University's Academic Road Map goal of attracting the best and the brightest. Clemson rose from 34th to 30th in *US News & World Report's* rankings of public institutions, which cited improvements in class size, quality of students and graduation rate.

CLEMSON UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2006

	Clemson University	Clemson University Research Foundation
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 137,453,468	$ 5,431,501
Restricted Assets - Current:		
Cash and cash equivalents	53,299,186	1,921
Accounts receivable (Net of provision for doubtful accounts of $68,967)	8,784,538	2,482,307
Grants and contracts receivable	22,450,666	—
Contributions receivable, net	345,004	—
Interest and income receivable	1,634,924	—
Student loans receivable	12,710	—
Inventories	813,227	—
Prepaid expenses	4,228,063	17,090
Investment in direct financing lease	—	433,884
Other	65,606	—
Total current assets	229,087,392	8,366,703
Noncurrent Assets:		
Notes receivable	77,371,822	—
Contributions receivable, net	424,258	—
Investments	2,645,831	—
Restricted Assets - Noncurrent:		
Cash and cash equivalents	17,953,787	—
Student loans receivable	8,222,000	—
Investment in direct financing lease	—	72,176
Other	668,719	1,919
Capital assets, not being depreciated	61,337,266	193,882
Capital assets, net of accumulated depreciation	409,733,724	1,431,138
Total noncurrent assets	578,357,407	1,699,115
Total assets	**$ 807,444,799**	**$ 10,065,818**
LIABILITIES		
Current Liabilities:		
Accounts and retainages payable	$ 22,482,808	$ 2,484,100
Accrued payroll and related liabilities	10,190,794	—
Accrued compensated absences and related liabilities	12,493,421	—
Accrued interest payable	1,034,831	—
Deferred revenues	23,761,676	499,223
Bonds payable	8,791,420	181,349
Capital leases payable	1,222,812	—
Notes payable	435,996	695,240
Deposits	426,364	—
Funds held for others	693,725	1,650
Total current liabilities	81,533,847	3,861,562
Noncurrent Liabilities:		
Accrued compensated absences and related liabilities	6,320,579	—
Funds held for others	7,775,712	—
Bonds payable	141,300,104	—
Capital leases payable	1,920,049	—
Notes payable	2,335,083	—
Total noncurrent liabilities	159,651,527	—
Total liabilities	**$ 241,185,374**	**$ 3,861,562**
NET ASSETS		
Invested in capital assets, net of related debt	$ 315,987,050	$ 1,023,675
Restricted for nonexpendable purposes:		
Scholarships and fellowships	26,184,324	—
Restricted for expendable purposes:		
Scholarships and fellowships	89,026,689	—
Research	2,175,842	3,626,928
Instructional department use	13,940,923	—
Loans	1,693,226	—
Capital projects	22,207,799	—
Debt service	3,679,937	—
Unrestricted	91,363,635	1,553,653
Total net assets	**$ 566,259,425**	**$ 6,204,256**

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2006

	Clemson University	Clemson University Research Foundation
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $44,006,367)	$ 166,912,198	$ —
Federal grants and contracts	59,589,201	4,093,528
State grants and contracts	36,181,047	—
Local grants and contracts	1,310,767	—
Nongovernmental grants and contracts	9,435,100	2,012,206
Sales and services of educational and other activities	14,350,491	—
Sales and services of auxiliary enterprises - pledged for revenue bonds (net of scholarship allowances of $9,621,647)	62,897,525	—
Sales and services of auxiliary enterprises - not pledged	8,876,343	—
Other operating revenues	16,438,586	4,846,322
Total operating revenues	375,991,258	10,952,056
EXPENSES		
Operating Expenses:		
Compensation and employee benefits	341,740,000	278,931
Services and supplies	140,594,010	10,362,173
Utilities	13,884,199	92,283
Depreciation	25,829,166	181,877
Scholarships and fellowships	6,319,039	—
Total operating expenses	528,366,414	10,915,264
Operating loss	(152,375,156)	36,792
NONOPERATING REVENUES (EXPENSES)		
State appropriations	134,677,989	—
Federal appropriations	11,337,941	—
Gifts	31,380,253	5,000
Interest income	3,340,994	256,627
Endowment income	7,803,461	—
Interest on capital asset related debt	(7,013,690)	(60,508)
Other nonoperating revenues	483,205	—
Gain/loss on disposal of capital assets	(686,305)	46,926
Refunds to grantors	(181,783)	—
Net nonoperating revenues	181,142,065	248,045
Income before other revenues, expenses, gains or losses	28,766,909	284,837
State capital appropriations	19,938,219	—
Capital grants and gifts	2,726,690	—
Additions to permanent endowments	7,508,184	—
Transfers to/from other state funds	(346,797)	—
Increase in net assets	58,593,205	284,837
NET ASSETS		
Net assets, Beginning of Year	507,666,220	5,919,419
Net assets, End of Year	**$ 566,259,425**	**$ 6,204,256**

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from customers	$ 221,438,165
Grants and contracts	106,640,662
Payments to suppliers	(166,356,170)
Payments to employees	(275,613,297)
Payments for benefits	(60,536,488)
Payments to students	(29,461,285)
Inflows from Stafford loans	38,115,038
Outflows from Stafford loans	(4,954,955)
Loans to students	(50,625)
Collection of loans	1,831,734
Net cash used by operating activities	(168,947,221)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	134,677,989
Federal appropriations	11,330,468
Gifts	72,576,028
Net cash flow provided by noncapital financing activities	218,584,485
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	39,221,079
State capital appropriations	17,247,709
Capital grants and gifts received	2,079,975
Purchases of capital assets	(53,232,144)
Principal paid on capital debt and leases	(24,766,737)
Interest and fees.	(6,716,013)
Net cash used by capital activities	(26,166,131)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	3,973,396
Transfer to Clemson University Foundation	(9,847,744)
Proceeds from stock sales	559,506
Net cash flows used by investing activities	(5,314,842)
Net change in cash	18,156,291
Cash beginning of year	190,550,150
Cash end of year	**$ 208,706,441**
Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	$ (152,375,156)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	25,829,166
Change in asset and liabiliites:	
Receivables net	(33,009,216)
Grants and contracts receivable	(952,748)
Student loans receivable	(216,174)
Prepaid expenses	(590,849)
Inventories	(130,642)
Other	125,722
Accounts and retainages payable	(6,847,754)
Accrued payroll and related liabilities	(6,747,373)
Accrued compensated absences and related liabilities	673,000
Deferred revenue	5,177,844
Deposits held for others	116,959
Net cash used by operating activities	**$ (168,947,221)**
NON-CASH TRANSACTIONS	
Increase in fair value of investments	$ 2,181,422
Assets acquired through gifts	96,957
RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES	
Current assets:	
Cash and cash equivalents	137,453,468
Restricted cash and cash equivalents	53,299,186
Noncurrent assets	17,953,787
Total cash and cash equivalent balances	**$ 208,706,441**

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2006

ASSETS	
Cash and cash equivalents	$ 23,936,486
Contributions receivable, net	28,785,884
Other receivables	42,470
Due from related organizations	2,212,047
Investments	243,889,336
Investments held for Clemson University	77,371,822
Investments held in trust for affiliate	2,389,171
Cash surrender value of life insurance	1,091,249
Land held for resale	85,777
Land, buildings and equipment, net	9,358,636
Total assets	**$ 389,162,878**
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued liabilities	$ 394,677
Due to related organizations	421,034
Accrued liability to Clemson University due to net investment appreciation	19,945,146
Note payable to Clemson University	57,426,676
Deferred royalty revenue	9,735
Actuarial liability of annuities payable	7,363,029
Trust funds administered for affiliate	2,389,171
Total liabilities	87,949,468
Net Assets	
Unrestricted	25,239,126
Temporarily restricted	100,629,332
Permanently restricted	175,344,952
Total net assets	301,213,410
Total liabilities and net assets	**$ 389,162,878**

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS AND OTHER SUPPORT:				
Gifts and bequests	$ 2,624,962	$ 8,855,574	$ 13,889,698	$ 25,370,234
Income on investments	1,401,408	3,536,650	33,669	4,971,727
Net realized and unrealized gains on investments	1,508,336	16,636,577	247,290	18,392,203
Program income	669,847	630,177	—	1,300,024
Other income	625,234	9,072	41,896	676,202
Change in value of split-interest agreements	95,376	25,634	538,129	659,139
Total revenues and gains	6,925,163	29,693,684	14,750,682	51,369,529
Net assets released from restrictions	11,497,606	(11,497,606)	—	—
Total revenues, gains and other support	18,422,769	18,196,078	14,750,682	51,369,529
EXPENSES:				
Program expenses - Block grant to CU	872,280	—	—	872,280
Program expenses - Alumni operations	299,887	—	—	299,887
Program expenses - endowments	4,958,463	—	—	4,958,463
Program expenses - operations	4,907,251	—	—	4,907,251
Program expenses - capital projects	854,579	—	—	854,579
Total program expenses	11,892,460	—	—	11,892,460
General administrative	946,121	—	—	946,121
Fundraising	1,124,777	—	—	1,124,777
Total expenses	13,963,358	—	—	13,963,358
Change in net assets	4,459,411	18,196,078	14,750,682	37,406,171
Net assets at beginning of year	20,779,715	82,433,254	160,594,270	263,807,239
Net assets at end of year	**$ 25,239,126**	**$ 100,629,332**	**$ 175,344,952**	**$ 301,213,410**

See accompanying notes to basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

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

Reporting Entity

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

The University follows GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and clarifies reporting requirements for those organizations. Based on these criteria, the financial statements include the accounts of the University, as the primary government, and the accounts of the following two entities as discretely presented component units.

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

The Clemson University Research Foundation (CURF) is a separately chartered corporation established to solicit research grants and contracts, then contract the University to perform the research. CURF's activities are governed by its Board of Directors. CURF is considered a component unit, and is discretely presented in the financial statements, because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. Copies of the separately issued financial statements of the Clemson University Research Foundation can be obtained by sending a request to the following address: Clemson University Research Foundation, P.O. Box 946, Clemson, SC 29633.

Financial Statement Presentation

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Cash and Cash Equivalents

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

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

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

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

Investments

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

Receivables

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

Grants and contracts receivable include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's 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 students under the Federal Perkins Loan Program, and from other loans administered by the University.

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

Inventories

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

Noncurrent Cash and Investments

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

Capital Assets

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

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

Deferred Revenues

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

Deposits

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

Funds Held for Others

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

Prepaid Expenses

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

Internal Service and Auxiliary Enterprise Activities

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

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory overtime leave earned for which the employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs

and the cost of the salary-related benefit payments. The net change in the liability is recorded in the current year in the applicable functional expenditure categories.

Noncurrent Liabilities

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

Net Assets

The University's net assets are classified as follows:

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

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

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

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

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

Income Taxes

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

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

Classification of Revenues and Expenses

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

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

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

Educational Activities Revenue

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and

allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services 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		Footnotes	
Cash and cash equivalents	$ 208,706,441	Cash on hand	$ 237,483
Investments	2,645,831	Deposits held by State Treasurer	206,769,030
		Other deposits	1,699,928
		Investments held by State Treasurer	154,439
		Other investments	2,491,392
Total	**$ 211,352,272**	**Total**	**$ 211,352,272**

Deposits Held by State Treasurer

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

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. For the fiscal year ending June 30, 2006, $1,583,935 of the $206,769,030 identified above as "Deposits held by State Treasurer" is attributable to unrealized losses.

Other Deposits

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

Investments Held by State Treasurer

Investments held by State Treasurer 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 mutual funds as authorized by a single donor. The mutual funds with a fair value of $2,491,392, are held, and invested by, Wachovia, Inc., as trustee in accordance with the endowment agreement specified by the donor.

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

"Other Investments" are stated at fair value and include unrealized appreciation of $1,240,553. Purchases and sales are accounted for on the trade date. Both unrealized and realized gains and losses on investments have been recorded. Earnings are recorded on an accrual basis.

NOTE 3.
RECEIVABLES

University receivables reported in the Statement of Net Assets as of June 30, 2006, were as follows:

University Receivables

	Current	Noncurrent	Total
Accounts receivable	$ 8,784,538	$ —	$ 8,784,538
Grants and contracts receivable	22,450,666	—	22,450,666
Notes receivable	—	77,371,822	77,371,822
Contributions receivable	345,004	424,258	769,262
Interest and income receivable	1,634,924	—	1,634,924
Student loans receivable	12,710	8,222,000	8,234,710
Total university receivables	**$ 33,227,842**	**$ 86,018,080**	**$ 119,245,922**

Accounts receivable are reported net of allowances for doubtful accounts of $68,967 based on credit losses experienced in prior years and evaluation of current portfolios. Student payment allowances of $36,000, parking services allowances of $27,967, and telecommunications allowances of $5,000 comprise this amount. Contributions receivable are reported net of allowances for current uncollectible pledges of $63,367 and allowances for noncurrent uncollectible pledges of $125,093.

Accounts receivable for the year ended June 30, 2006, were comprised of the following balances:

Accounts Receivable

State bond proceeds	$ 2,690,510
Auxiliaries	2,310,687
Students/Scholarships	1,335,496
Professional development/conferences	832,001
Computer services	658,137
Fees	354,980
Educational programs	250,169
Camps	183,714
Municipal services	69,635
Other	99,209
Total accounts receivable	**$ 8,784,538**

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, 2006, were comprised of the following balances:

Grants and Contracts Receivable

	Federal	State	Local	Nongovernmental	Total
Sponsored research	$ 16,565,469	$ 1,125,999	$ 202,407	$ 2,351,366	$ 20,245,241
Land-grant appropriations	1,943,063	—	—	—	1,943,063
Scholarship programs	262,362	—	—	—	262,362
Total grants and contracts receivable	**$ 18,770,894**	**$ 1,125,999**	**$ 202,407**	**$ 2,351,366**	**$ 22,450,666**

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

Contributions Receivable

	Current	Noncurrent	Total
University programs	$ 93,730	$ 55,048	$ 148,778
Athletic scholarships	251,274	369,210	620,484
Total contributions receivables	**$ 345,004**	**$ 424,258**	**$ 769,262**

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, 2006, the University had notes receivable from the Clemson University Foundation, a related party, totaling $77,371,822. This amount includes the original loan of $35,358,188, additional amounts totaling $22,068,488 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 not withstanding, 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.

NOTE 4.
CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2006, is summarized as follows:

Capital Assets

	Beginning Balance June 30, 2005	Increases	Decreases	Ending Balance June 30, 2006
Capital assets not being depreciated:				
Land and improvements	$ 8,392,893	$ 1,578,858	$ —	$ 9,971,751
*Construction in Progress	54,602,080	40,937,220	44,173,785	51,365,515
Total capital assets not being depreciated	62,994,973	42,516,078	44,173,785	61,337,266
Depreciable capital assets:				
Utilities systems and other non-structural improvements	25,735,069	3,097,818	—	28,832,887
Buildings and improvements	500,656,583	46,672,541	138,864	547,190,260
Computer software	938,422	—	—	938,422
Equipment	126,911,586	13,529,710	5,582,504	134,858,792
Vehicles	13,125,318	1,241,684	484,579	13,882,423
Total depreciable capital assets at historical cost	667,366,978	64,541,753	6,205,947	725,702,784
Less accumulated depreciation for:				
Utilities systems and other non-structural improvements	10,998,913	1,159,313	—	12,158,226
Buildings and improvements	182,989,019	13,332,114	138,864	196,182,269
Computer software	717,740	110,341	—	828,081
Equipment	92,697,018	11,020,452	4,935,985	98,781,485
Vehicles	8,256,845	206,946	444,792	8,018,999
Total accumulated depreciation	295,659,535	25,829,166	5,519,641	315,969,060
Depreciable capital assets, net	371,707,443	38,712,587	686,306	409,733,724
Capital assets, net	**$ 434,702,416**	**$ 81,228,665**	**$ 44,860,091**	**$ 471,070,990**

* Includes current fiscal year capitalized interest of $316,552

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, 2006.

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

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

A summary listing of deferred revenue follows:

Deferred Revenues

Athletic event receipts - fall semester	$ 14,554,942
Sponsored research programs	4,772,802
Academic and other fees - second summer semester	3,641,617
Admission fees - fall semester	262,800
Educational Programs	174,105
Public Service programs	103,760
Other	103,014
Other auxiliary fees - second summer session	92,818
Professional development fees	55,818
Total deferred revenues	**$ 23,761,676**

NOTE 6.
BONDS PAYABLE AND NOTES PAYABLE

Bonds Payable

At June 30, 2006, bonds payable consisted of the following:

Bonds Payable

	Interest Rate	Maturity Dates	June 30, 2006 Balance	Debt Retired in Fiscal Year 2006
General Obligation Bonds				
Bonds dated 4/01/95 (Series 1995A)	5.25%	6/1/2010	$ 1,095,000	$ 235,000
Bonds dated 6/01/97 (Series 1997B)	4.80%	6/1/2010	3,985,000	600,000
Bonds dated 7/01/02 (Series 2002B)	4.00-4.375%	6/1/2017	19,970,000	555,000
Bonds dated 3/01/03 (Series 2003B)	2.50-4.50%	6/1/2017	9,815,000	745,000
Bonds dated 12/01/03 (Series 2003F)	2.50-4.25%	6/1/2018	8,790,000	815,000
			43,655,000	
Plant Improvement Refunding Bonds				
Bonds dated 3/01/98 (Series 1998)	4.25-4.50%	5/1/2011	3,770,000	665,000
			3,770,000	
Revenue Bonds				
Bonds dated 1/01/98 (Series 1998A)	4.625-4.75%	5/1/2012	12,310,000	1,825,000
Bonds dated 5/01/00 (Series 2000)	5.50%	5/1/2009	3,100,000	16,080,000
Bonds dated 8/01/03 (Series 2003)	4.00-5.00%	5/1/2018	26,590,000	700,000
Bonds dated 12/1/05 (Series 2005)	4.00-5.00%	5/1/2020	22,060,000	70,000
			64,060,000	
Athletic Facilities Revenue Bonds				
Bonds dated 6/01/01 (Series 2001)	4.00-4.75%	5/1/2016	15,685,000	1,155,000
Bonds dated 6/01/03 (Series 2003)	3.00-5.00%	5/1/2023	7,000,000	—
Bonds dated 12/1/05 (Series 2005)	4.00-6.00%	5/1/2025	15,000,000	—
			37,685,000	
Subtotal bonds payable			149,170,000	23,445,000
Unamortized revenue bond premium			1,865,676	141,137
Less deferred amount on revenue bond refunding			(944,152)	(314,718)
Total bonds payable			**$ 150,091,524**	**$ 23,271,419**

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

The University purchased a bond insurance policy payable to the bond trustee for the Plant Improvement Refunding Bonds, Series 1998; the Revenue Bonds, Series 1998A, Series 2000, Series 2003 and Series 2005; and the Athletic Facilities Revenue Bonds, Series 2001, 2003 and 2005. In addition, a surety bond was purchased for the Athletic Facilities Revenue Bonds, Series 2001, 2003 and 2005. The insurance guarantees payment of principal and interest until all debt has been retired.

Tuition fees for the fiscal year ended June 30, 2005 were $7,119,715 which results in a legal annual debt service limit at June 30, 2006 of $6,407,743. This amount is equal to 90% of tuition fees collected for the prior fiscal year.

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

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

The series 1998A Auxiliary Revenue Bonds maturing on

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

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

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

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

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

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

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

The Series 2003F General Obligation Bonds maturing on and after June 1, 2014, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on and after June 1, 2013, at the redemption price of par plus accrued interest to the date fixed for redemption.

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

During the fiscal year ending June 30, 2006, the University issued Improvement and Refunding Revenue Bonds, Series 2005, in the amount of $22,130,000. The Series 2005 Bonds were issued to (i) pay a portion of the cost of retrofitting certain residence halls/apartment facilities of the University with fire sprinklers and upgrading the HVAC system of the Calhoun Courts apartment complex, (ii) provide for the advance refunding of the Series 2000 Revenue Bonds maturing on May 1 of the years 2010 through 2015, inclusive; and (iii) pay costs of issuance of the Series 2005 Bonds. The Series 2005 Bonds maturing prior to May 1, 2017, shall not be subject to redemption prior to their stated maturities. The Series 2005 Bonds maturing on or after May 1, 2017, shall be subject to redemption at the option of the Board of Trustees on or after May 1, 2016, in whole or part at any time, and if in part in those maturities designated by the University and by lot within a maturity (but only in integral multiples of $5,000) upon 30 days notice at the par amount of the principal to be redeemed, plus accrued interest thereon. The Series 2000 Bonds are payable from and secured by a pledge on net certain auxiliary net revenues and from designated University fees. In December, 2005, $16,330,901 of the net proceeds, plus $76,426 in available debt service funds, were used to purchase United States government securities to partially refund the Series 2000 Revenue Bonds. This advanced refunding resulted in a difference of $1,237,327 between the reacquisition price and the carrying amount of the Series 2000 Revenue Bonds, including a redemption premium of $151,700. This amount, plus unamortized bond issue costs of $21,543, resulted in a deferred loss of $1,258,870 that is being amortized over the remaining term of the Series 2000 Revenue Bonds using the straight-line method. The bonds were advance refunded to reduce total debt service over the next ten years by $1,053,937 and to obtain an economic gain of $873,345. The $1,290,228 bond premium associated with this issuance is being amortized over the fifteen year life of the bonds using the straight line method.

During the fiscal year ending June 30, 2005, Clemson University issued Athletic Facilities Revenue Bonds, Series 2005, in the amount of $15,000,000. The proceeds of these bonds are being used to pay a portion of the cost of certain renovations to the west end zone of Memorial (football) Stadium. The Series 2005 Athletic Facilities Revenue Bonds maturing prior to May 1, 2017 shall not be subject to

redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2017 at the option of the University on or after May 1, 2016, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption. The Series 2005 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.

All of the bonds are payable in semiannual installments plus interest. Amounts including interest required to complete payment of the General Obligation bonds as of June 30, 2006, are as follows:

General Obligation Bonds

	Principal	Interest	Total
Year Ending June 30			
2007	$ 3,055,000	$ 1,743,120	$ 4,798,120
2008	3,160,000	1,636,755	4,796,755
2009	3,285,000	1,514,647	4,799,647
2010	3,410,000	1,385,375	4,795,375
2011	3,550,000	1,248,815	4,798,815
2012 through 2016	19,970,000	4,013,672	23,983,672
2017 through 2018	7,225,000	423,413	7,648,413
	$ 43,655,000	**$ 11,965,797**	**$ 55,620,797**

Amounts including interest required to complete payment of the Plant Improvement bonds as of June 30, 2006, are as follows:

Plant Improvement Refunding Bonds

	Principal	Interest	Total
Year Ending June 30			
2007	$ 690,000	$ 166,485	$ 856,485
2008	720,000	137,160	857,160
2009	750,000	106,200	856,200
2010	790,000	72,450	862,450
2011	820,000	36,900	856,900
	$ 3,770,000	**$ 519,195**	**$ 4,289,195**

Amounts including interest required to complete payment of the Revenue and Athletic Facilities Revenue bonds as of June 30, 2006, are as follows:

Revenue and Athletic Facilities Revenue Bonds

	Principal	Interest	Total
Year Ending June 30			
2007	$ 5,220,000	$ 4,704,972	$ 9,924,972
2008	5,675,000	4,469,640	10,144,640
2009	5,950,000	4,212,202	10,162,202
2010	6,230,000	3,940,885	10,170,885
2011	6,535,000	3,657,423	10,192,423
2012 through 2016	37,625,000	13,451,403	51,076,403
2017 through 2021	24,630,000	4,735,717	29,365,717
2022 through 2025	9,880,000	1,148,731	11,028,731
	$ 101,745,000	**$ 40,320,973**	**$ 142,065,973**

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, 2006, $15,170,000 of bonds outstanding are considered defeased. The University was in compliance with all applicable bond covenants as of June 30, 2006.

The University reported principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 2006:

Principal Retirements and Interest Expenses

Bond Type	Principal	Interest
General obligation bonds	$ 2,950,000	$ 1,836,385
Plant improvement refunding bonds	665,000	189,760
Revenue bonds	18,675,000	3,233,217
Athletic facilities revenue bonds	1,155,000	1,403,774
	$ 23,445,000	**$ 6,663,136**

Notes Payable

At June 30, 2006, notes payable consisted of the following:

Notes Payable

	Interest	Maturity	Amount
CU Foundation (CUF) Note dated 6/30/03	6.000%	6/30/2009	$ 409,285
SC Energy Office Note dated 7/1/03	1.000%	7/1/2013	395,504
Banc of America Leasing Note dated 7/18/05	5.420%	7/18/2012	1,966,290
			$ 2,771,079

During the fiscal year ending June 30, 2006, the University entered into a loan agreement with Banc of America Leasing and Capital, LLC whereby the Banc of America loaned the University $2,091,079 to construct a new scoreboard at the Clemson Memorial Stadium. Principal and interest is payable in semi-annual installments of $181,502 for 8 years, assuming 5.42 percent throughout the term of the loan.

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

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

The aggregate debt service payments due on the notes payable at June 30, 2006 are as follows:

Debt Service - Notes Payable

	Principal	Interest	Total
Year Ending June 30			
2007	$ 435,996	$ 129,815	$ 565,811
2008	458,582	107,228	565,810
2009	482,436	83,375	565,811
2010	354,255	60,449	414,704
2011	371,522	43,182	414,704
2012 through 2013	668,288	31,319	699,607
	$ 2,771,079	**$ 455,368**	**$ 3,226,447**

Total principal paid on notes payable was $172,039 for the year ended June 30, 2006. Total interest expense for notes payable was $133,270.

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, 2006, were as follows:

Capital and Operating Lease Commitments

	Capital Leases	Operating Leases
Year Ending June 30:		
2007	$ 1,475,254	$ 325,512
2008	806,654	137,813
2009	528,715	44,988
2010	528,715	—
2011	481,251	—
Total minimum lease payments	**3,820,589**	**$ 508,313**
Less: Interest	557,605	
Less: Executory costs	120,123	
Principal outstanding - Clemson University	**$ 3,142,861**	

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 2006 were $1,474,874, of which $292,725 represented interest and $32,451 represented executory costs. Total principal paid on capital leases was $1,149,698 for the fiscal year ended June 30, 2006. Interest rates range from 5.50 percent to 7.58 percent.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2006:

Assets Held Under Capital Lease

	Value at Lease Inception	Accumulated Depreciation	Net
Land	$ 122	$ —	$ 122
Buildings	13,908,588	6,346,517	7,562,071
Equipment	16,206	1,621	14,585
Totals	**$ 13,924,916**	**$ 6,348,138**	**$ 7,576,778**

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

The University had two capital leases with the Clemson University Research Foundation (CURF), its component unit, in the current fiscal year. In March 1988, the University entered into a capital lease of $925,000 at 7.50 percent with CURF, a component unit, whereby the University leases land and a building for a twenty year period that began April 1988, and expires May 2008. The outstanding liability at June 30, 2006, on this capital lease is $145,985. The University at its option may terminate the lease and purchase CURF's interest for the unamortized principal balance and the payment of $1. In December 1998, the University entered into a capital lease of $2,792,453 at 5.50 percent with CURF whereby the University leases a building for a nine year period that began December 1998, and expires December 2007. The outstanding liability at June 30, 2006, on this capital lease is $348,314. 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 2005 through 2007 are computed at a rate of 3.625%.

The University had three capital leases with unrelated parties in the current fiscal year. In June 1991, the University entered into a capital lease of $5,186,861 at 7.58 percent whereby the University leases a building for a twenty year period that began June 1991, and expires June 2011. The outstanding liability at June 30, 2006 on this capital lease is $2,009,574. In December 1986, the University entered into a capital lease of $5,004,395 at 7.5 percent for a computer building whereby the University leases a building for a twenty-year period that began December 1987, and expires December 2007. The University may cancel

the lease agreement at the end of any fiscal year when sufficient appropriations, revenues, income, grants or other funding sources are not available. The University has the option to purchase the property for the redemption price and the payment of $1. However, in the event of cancellation, the University has agreed not to purchase, lease or rent similar facilities for one year following such cancellation. The University is responsible for all operating costs such as repairs, utilities and insurance for this lease. The outstanding liability at June 30, 2006 for this capital lease was $625,585. In September 2005, the University entered into a capital lease of $16,206 at 7.33 percent for equipment whereby the University leases the property for a five year period that began in September 2005, and expires September 2010. The University has the option to purchase the property for the payment of $1 at the expiration of the lease. The outstanding liability at June 30, 2006 for this capital lease was $13,403.

Operating Leases

The University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2006 through 2009. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancelable if the State of South Carolina does not provide adequate funding but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

In 1996, the University entered into a real property operating lease with the Clemson University Research Foundation (CURF), a component unit, for office space. The current lease extends through February, 2008. Under this agreement, the University paid CURF $113,676 in the current year.

In 2000, the University entered into a real property operating lease with CURF, a component unit, for office space. The current lease extends through June, 2006. Under this agreement, the University paid CURF $38,905 in the current year.

In 2001, the University entered into a real property operating lease with CURF, a component unit, for office space. The current lease extends through July, 2006. Under this agreement, the University paid CURF $15,912 in the current year.

Noncancellable operating lease expenditures in 2006 were $562,211 for real property and $86,243 for information technology equipment. The University reports these costs in functional expenditure categories.

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

In the current fiscal year, Clemson University incurred expenses of $762,745 for office copier contingent rentals on a cost-per-copy basis.

NOTE 8.
RETIREMENT PLANS

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

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

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

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

From July 1, 1988 – June 30, 2005 employees participating in the SCRS were required to contribute 6 percent of eligible

compensation. Effective July 1, 2005 the employee contribution rate increased to 6.25 percent of eligible compensation. Effective July 1, 2005, the employer contribution rate became 10.95 percent which includes a 3.25 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, 2006, 2005 and 2004, were approximately $12,057,713, $11,013,000, and $10,377,000, 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 $239,557 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, 2004, the employer contribution rate became 13.55 percent which, as for the SCRS, included a 3.25 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2006, 2005, 2004 and 2003, were approximately $226,847, $212,000, $213,000 and $253,000, 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 $4,405 and accidental death insurance contributions of $4,405 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

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

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

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

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

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

ORP participation is available to all employees who meet eligibility requirements for membership in the SCRS. Election into either SCRS or ORP must be made within their first thirty (30) days of employment. A State ORP participant may irrevocably elect to join the SCRS during any open enrollment period (January 1 – March 31) after the first annual anniversary but before the fifth annual anniversary of the person's initial enrollment period in the State ORP. The State ORP participant shall become a member of the SCRS effective on the first of April following the participant's election to join the SCRS. An employee who exercises an option to not participate in the South Carolina Retirement Systems is not eligible to participate in the State Optional Retirement Program, unless a break in service occurs.

All eligible employees shall elect either to join the South Carolina Retirement System or to participate in the State "ORP" within thirty days after entry into service. If an eligible

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.25 from the employer in fiscal year 2006.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately $5,266,140 (excluding the surcharge) from the University as employer and $4,359,388 from its employees as plan members. Employee contributions of 6.25 percent, and 5 percent of the employer contribution was remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the insurance companies.

NOTE 9. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from state service or who terminated employment and meet eligibility. Eligibility for retiree insurance is based on years of state service credit, or age and years of state service credit. Eligibility rules include regular state funded retiree, age 55/25 year, 5-10 year, disability, police officers retirement, and 20 year rule. Specifics may be obtained from the Employee Insurance Program publication Insurance Benefits Guide. Retiree insurance begins the first of the month after retirement or eligibility is met, provided the necessary forms are completed by the retiree and received by the Employee Insurance Program within state guidelines.

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

The University paid approximately $7,528,866 applicable to the 3.25 percent surcharge included with the employer contributions for retirement benefits for year ended June 30, 2006. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Employee Insurance Program for retiree health and dental insurance benefits.

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

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

NOTE 10. DEFERRED COMPENSATION PLANS

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

NOTE 11.
LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2006 was as follows:

Long-Term Liabilities

	July 1, 2005	Additions	Reductions	June 30, 2006	Due Within One Year
Bonds payable, notes payable and capital lease obligations:					
General obligation bonds	$ 46,605,000	$ —	$ 2,950,000	$ 43,655,000	$ 3,055,000
Plant improvement bonds	4,435,000	—	665,000	3,770,000	690,000
Revenue bonds	60,605,000	22,130,000	18,675,000	64,060,000	4,000,000
Athletic facilities revenue bonds	23,840,000	15,000,000	1,155,000	37,685,000	1,220,000
Subtotal bonds payable	135,485,000	37,130,000	23,445,000	149,170,000	8,965,000
Unamortized revenue bond premium	716,586	1,290,228	141,138	1,865,676	141,138
Deferred amount on revenue bond refunding	—	314,718	1,258,870	(944,152)	(314,718)
Total bonds payable	136,201,586	38,734,946	24,845,008	150,091,524	8,791,420
Capital lease obligations	4,276,354	16,205	1,149,698	3,142,861	1,222,812
Notes payable	852,039	2,091,079	172,039	2,771,079	435,996
Total bonds, notes and capital leases	141,329,979	40,842,230	26,166,745	156,005,464	10,450,228
Other liabilities:					
Accrued compensated absences	18,141,000	12,229,143	11,556,143	18,814,000	12,493,421
Funds held for others	7,596,862	334,038	155,188	7,775,712	—
Total other liabilities	25,737,862	12,563,181	11,711,331	26,589,712	12,493,421
Total long-term liabilities	**$ 167,067,841**	**$ 53,405,411**	**$ 37,878,076**	**$ 182,595,176**	**$ 22,943,649**

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

NOTE 12.
CONSTRUCTION COSTS AND COMMITMENTS

Capitalized

The University has obtained or has plans to obtain the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable capital asset categories upon completion. Management estimates that the University has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next 2 or 3 years at an estimated cost of $237,625,448. The $237,625,448 includes estimated costs of $113,774,441 for capital projects currently in progress plus $123,851,007 estimated costs for other improvement projects already underway. Of the total estimated cost, $123,851,007, was unexpended at June 30, 2006. Of the total expended through June 30, 2006, the University has capitalized substantially complete and in use projects in the amount of $49,770,360. Of the unexpended balance the University has remaining commitment balances of $39,263,492 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of June 30, 2006 was $2,501,392.

Capital projects at June 30, 2006 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	$ 40,540,172	$ 35,509,577
9807	Academic Support Center	435,000	398,334
9831	CU ICAR Graduate Engineering Center	28,803,269	8,228,896
9856	CU ICAR Parking Structure	21,400,000	4,407,712
9538	Baruch Lab/Office Building	5,000,000	105,132
9863	Chilled Water System Improvement	7,000,000	243,773
9864	North Charleston Property Acquisition	120,000	86,605
9839	Johnstone Upgrade	420,000	314,363
9776	Microcreamery	50,000	42,460
9841	Municipal Services Complex	150,000	63,287
9532	Sandhill REC Office/Lab Building	6,900,000	833,058
9812	President's Park Rotunda	56,000	45,191
9815	Rowing Facility	1,900,000	1,086,048
9865	Rhodes Hall Annex	1,000,000	1,079
		$ 113,774,441	**$ 51,365,515**

The amount expended includes only capitalized project expenses and capitalized interest on construction debt for projects less than 95% complete and not in service at June 30, 2006. No noncapitalized expenditures are included in these totals.

Non-Capitalized

At June 30, 2006 the University had in progress other capital projects which will not be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total $48,975,905. This amount includes costs incurred to date of $18,853,083 and estimated costs to complete of $30,122,822. The University has remaining commitment balances with certain parties related to these projects of $2,862,730. Retainages payable on the non-capitalized projects as of June 30, 2006, was $37,756. The University anticipates funding these projects out of current resources, current and future bond issues, state capital improvement bond proceeds, private gifts and student fees.

NOTE 13.
RELATED PARTIES

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

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

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

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

Clemson University Real Estate Foundation

The Clemson University Real Estate Foundation, Inc., is a separately chartered entity organized to hold, and invest acquired real estate property. The Real Estate Foundation's actions are governed by its Board of Directors. This past fiscal year the University purchased approximately 19 acres from the Clemson University Real Estate Foundation for approximately $1.6 million for the International Center for Automotive Research (ICAR) project in Greenville, South Carolina.

Clemson University Continuing Education And Conference Complex Corporation

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

Board of Directors. The Finance Corporation reimbursed the University $107,290 for salaries for time devoted by University employees to the Finance Corporation.

Clemson Advancement Foundation For Design and Building

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

The University's financial statements reflect $114,918 in expenses to reimburse the Design and Building Foundation for administrative and educational expenses incurred at the Charles E. Daniel Center for Building Research and Urban Studies in Genoa, Italy, which is owned by the Design and Building Foundation.

NOTE 14.
TRANSACTIONS WITH STATE ENTITIES

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

The original appropriation is the University's base budget amount presented in the General Funds column of Sections 5D and 23 of Part IA of the 2005-06 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, 2006:

State Appropriations

	Educational and General	Public Service	Total
Original appropriation	$ 90,144,455	$ 41,260,584	$ 131,405,039
Appropriation allocations from the State Commission on Higher Education:			
For Academic Endowment Match	102,783	—	102,783
For Clemson Agriculture Education Teachers - Teacher Recruitment	—	276,533	276,533
For Clemson Agriculture Education Teachers - Teacher Salary Supplements	—	67,001	67,001
Municipal Services	931,747	—	931,747
Films and Fibers	814,749	—	814,749
Wireless Center	500,000	—	500,000
Appropriation allocations from FY 05 State Surplus Funds:			
Deferred Maintenance	400,000	—	400,000
COMSET	408,728	—	408,728
Appropriation transfer to the Medical University of South Carolina (MUSC) for: Agromedicine	—	(228,591)	(228,591)
Total State Appropriation Revenues	**$ 93,302,462**	**$ 41,375,527**	**$ 134,677,989**

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, capital and public service projects for the fiscal year ended June 30, 2006:

Other Amounts Received from State Agencies

	Operating Revenues	Nonoperating Revenues	Capital and Endowment Proceeds	Total
Received from the Commission on Higher Education (CHE):				
LIFE Scholarships	$ 19,300,691	$ —	$ —	$ 19,300,691
Palmetto Scholarships	9,403,865	—	—	9,403,865
Need-Based Grants	2,046,372	—	—	2,046,372
HOPE Scholarships	176,056	—	—	176,056
University Center	1,227,101	—	—	1,227,101
Call Me Mister Program	1,300,000	—	—	1,300,000
Access and Equity Competitive Grants	—	69,525	—	69,525
SC Experimental Programs to Stimulate Competitive Research	—	855,408	—	855,408
SC Manufacturing Extension Partnership	—	90,010	—	90,010
SC Alliance for Minority Participation	—	45,697	—	45,697
Centers of Excellence	—	149,978	—	149,978
Received from Department of Health and Environmental Control	594,471	—	—	594,471
Received from the Department of Education	935,061	—	—	935,061
Received from various other state agencies	1,197,430	—	—	1,197,430
State lottery funding for permanent endowments	—	—	7,500,000	7,500,000
Capital reserve fund proceeds	—	—	91,156	91,156
Capital improvement bond revenues	—	—	49,715	49,715
Research infrastructure bond proceeds	—	—	7,780,972	7,780,972
Economic development bond revenues	—	—	12,016,376	12,016,376
	$ 36,181,047	**$ 1,210,618**	**$ 27,438,219**	**$ 64,829,884**

The University provided no significant services free of charge to any State agency during the fiscal year; however, the University did provide computer services and information systems development for a fee to other State agencies during the fiscal year. Total fees received were $9,853,567, comprised of $4,600,205 in fees for computer services classified as other operating revenues, and $5,253,362 in information and systems development fees classified as sales and services of auxiliary enterprises.

Also, the University collected and remitted $31,800 in pesticide penalties and other fees to the State General Fund.

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

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

The University had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contributions, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2006 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; and
(4) Computer fraud

In addition, the Chief Business Officer is covered for $200,000 under a public official bond, and the postmaster is covered under a performance bond for $75,000. Both the Director of Accounting for Related Organizations and Director of Business Affairs are covered by a $2,000,000 bond. A $2,000,000 bond also covers the Director of Gift and Endowment Management.

The University has recorded insurance premium expenses and expenses for deductibles in applicable functional expense categories.

The University has not transferred the portion of the risk of loss related to insurance policy deductibles, and policy limits for all coverage to a State or commercial insurer. The University has not reported an estimated claims loss expenditure, and the related liability at June 30, 2006, based on the requirements of GASB Statement's No. 10 and No. 30, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2006, 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 2006 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.

NOTE 17.
OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2006 are summarized as follows:

Operating Expenses by Function

	Compensation and Employee Benefits	Services and Supplies	Utilities	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 123,830,321	$ 18,844,498	$ 1,391,826	$ —	$ 275,085	$ 144,341,730
Research	75,008,980	29,865,120	1,483,442	—	250,566	106,608,108
Public Service	38,112,408	17,597,855	1,195,124	—	6,359	56,911,746
Academic Support	27,695,511	10,081,959	422,420	—	—	38,199,890
Student Services	14,538,857	6,106,690	253,734	—	—	20,899,281
Institutional Support	19,063,261	4,941,233	257,125	—	—	24,261,619
Operation and Maintenance of Plant	17,261,235	18,113,884	3,681,940	—	—	39,057,059
Scholarships and Fellowships	58	168,880	—	—	5,787,029	5,955,967
Auxiliary Services	26,229,369	34,873,891	5,198,588	—	—	66,301,848
Depreciation	—	—	—	25,829,166	—	25,829,166
	$ 341,740,000	**$ 140,594,010**	**$ 13,884,199**	**$ 25,829,166**	**$ 6,319,039**	**$ 528,366,414**

NOTE 18.
DONOR-RESTRICTED ENDOWMENTS

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

In accordance with the spending policy adopted by the Clemson University Board of Trustees in 1998, endowment-derived program expenses are based on the endowment carrying value from the previous year at a percentage set by the Board. For fiscal year 2006, this rate was 4.50%. At June 30, 2006, net appreciation of $3,878,316 is available to be spent, and is reported in the Statement of Net Assets as restricted for expendable scholarships and fellowships.

NOTE 19.
DETAILS OF RESTRICTED ASSETS

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

Details of Retricted Assets

Current:	
Cash and cash equivalents:	
As specified by sponsors/donors	$ 20,402,515
University administered loans	70,754
Payment of maturing debt	3,930,293
Bond proceeds and other amounts restricted for capital projects	27,333,622
Funds held for others	1,562,002
	$ 53,299,186
Noncurrent:	
Cash and cash equivalents:	
Endowments	$ 17,287,770
Federal Perkins Loan Program	666,017
	$ 17,953,787
Student Loans Receivable:	
Federal Perkins Loan Program	**$ 8,222,000**

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

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

Statement of Activities

	2006	2005	Increase/ (Decrease)
Charges for services	$ 359,552,672	$ 333,511,718	$ 26,040,954
Operating grants and contributions	70,784,440	70,654,734	129,706
Capital grants and contributions	2,726,690	7,487,422	(4,760,732)
Less: expenses	(536,248,192)	(500,850,714)	(35,397,478)
Net program revenue (expense)	(103,184,390)	(89,196,840)	(13,987,550)
General revenues:			
Contributions to permanent endowments	7,508,184	2,169,530	5,338,654
Transfers:			
State appropriations	134,677,989	126,588,594	8,089,395
Capital improvement bond proceeds	19,938,219	12,468,938	7,469,281
Less: transfers out to state agencies/funds	(346,797)	(197,174)	(149,623)
Total general revenue and transfers	161,777,595	141,029,888	20,747,707
Change in net assets	58,593,205	51,833,048	6,760,157
Net assets - beginning	507,666,220	455,833,172	51,833,048
Net assets - ending	**$ 566,259,425**	**$ 507,666,220**	**$ 58,593,205**

NOTE 21.
COMPONENT UNITS

Clemson University Foundation

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

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

CUF transfers funds earmarked from private contributions to the University to support University scholarship, fellowship, professorship, and research programs and to reimburse the University for any purchases made by CUF. These transfers for fiscal year 2006 were recorded by the University as nonoperating gift revenues totaling $7,959,085. CUF also reimbursed the University $344,402 for salaries for time devoted by University employees to CUF.

Also recorded as capital grants and gifts upon receipt were CUF donations totaling $597,831 for University building projects. As of June 30, 2006, CUF had remaining commitments of approximately $800,000 for University building projects.

As referenced in Note 3, a 1999 amendment to the South Carolina Code of Laws allowed state-supported universities to lend endowment balances on deposit with the State Treasurer to entities (like CUF) whose existence is primarily providing financial assistance and other support to the institution and its educational program. At fiscal year end, the amount loaned, including income and appreciation, totaled $77,371,822.

CUF charges an annual fee of 0.96 percent for managing the University's endowments. For the fiscal year ending June 30, 2006, the management fee was $518,299, net of current year income, gains and appreciation of $7,493,979. At fiscal year end, $144,868 in accounts payable was due to CUF.

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

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

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

A summary of investments at fair value at June 30, 2006 follows:

Investments

U.S. Government obligations	$ 42,976,829
Corporate bonds	1,275,048
U.S. Equities	179,377,742
Global equities	46,412,876
Hedge funds	26,509,180
Private equity	2,928,851
Real estate	2,117,688
Money market funds	21,809,129
Other	242,986
	$ 323,650,329

Clemson University Research Foundation

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

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

The University performs research and development under performance agreements for CURF, and receives payment for all direct and indirect costs which are incurred in accordance with the terms of the performance agreements. Revenues totaling $3,202,088 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 $336,930 due from CURF at June 30, 2006.

Also, the University made $101,784 in capital lease payments to CURF for lease of a building and land and $168,493 in operating lease payments for office space. Equipment donated by CURF to the University totaled $5,536 and was recorded as capital grants and gifts in the Statement of Revenues, Expenses and Changes in Net Assets. CURF reimbursed the University $299,258 for salaries for time devoted by University employees to CURF.

Supplementary Information to the Financial Statements

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
AUXILIARY REVENUE BONDS (SERIES 1998, 2000, 2003 AND 2005)
For the year ended June 30, 2006

	Dining Services	Vending Operations	Bookstore	Parking Services	Housing	Total
Revenues:						
Student meal plans	$ 10,503,712	$ —	$ —	$ —	$ —	$ 10,503,712
Food service commissions	1,423,885	—	—	—	—	1,423,885
Other	—	—	—	12,500	256,342	268,842
Residence halls	—	—	—	—	21,734,004	21,734,004
Campus vending machines	—	500,370	—	—	—	500,370
ATM rental	—	95,375	—	—	—	95,375
Contract revenue	—	319,530	1,216,666	140,325	210,000	1,886,521
Parking permits	—	—	—	1,613,307	—	1,613,307
Parking citations	—	—	—	663,667	—	663,667
Investment income	312,392	285,587	153,160	202,268	211,610	1,165,017
Total revenues	12,239,989	1,200,862	1,369,826	2,632,067	22,411,956	39,854,700
Expenses:						
Salaries	86,294	17,785	40,588	342,173	5,009,820	5,496,660
Fringe benefits	22,412	4,527	9,772	86,978	1,273,272	1,396,961
Travel	8,794	—	1,363	35,799	67,083	113,039
Contractual services	8,181,190	—	—	736,113	625,135	9,542,438
Repairs	321,717	2,635	1,085	50,435	515,933	891,805
Telecommunications	8,856	—	—	4,028	1,339,925	1,352,809
Heat, light, and power	498,394	—	11,327	349	1,758,384	2,268,454
Water, sewer and garbage	99,918	—	—	—	428,569	528,487
Rents	100,487	—	—	63,965	23,831	188,283
Supplies and materials	238,554	445	—	121,573	961,897	1,322,469
Insurance	6,446	—	—	1,661	181,119	189,226
University debit card fees	228,381	44,559	—	1,250	192,269	466,459
Cable television	—	—	—	—	321,431	321,431
Security	—	—	—	—	421,686	421,686
Other operating expenses	303,590	—	6,943	507,986	1,254,521	2,073,040
Capital outlay	58,914	—	—	42,975	30,805	132,694
Total expenses	10,163,947	69,951	71,078	1,995,285	14,405,680	26,705,941
Net Revenues	**$ 2,076,042**	**$ 1,130,911**	**$ 1,298,748**	**$ 636,782**	**$ 8,006,276**	**$ 13,148,759**

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
ATHLETIC FACILITIES REVENUE BONDS (SERIES 2001, 2003 AND 2005)
For the year ended June 30, 2006

	Football	Basketball	Other Sports	NonProgram Specific	Total
Revenues:					
Ticket sales	$ 13,236,722	$ 1,098,197	$ 381,443	$ —	$ 14,716,362
Student fees	1,284,800	122,044	—	—	1,406,844
Away game sales and guarantees	1,062,821	327,581	4,000	—	1,394,402
Contributions	1,750,752	564,990	2,213,946	1,079,547	5,609,235
Third-party support	896,750	176,500	37,500	—	1,110,750
Direct institutional support	536,794	222,692	1,188,191	—	1,947,677
NCAA/Conference distributions including all tournament revenues	7,079,980	3,008,746	147,600	129,702	10,366,028
Broadcast, television, radio and internet rights	—	—	—	807,500	807,500
Program sales, concessions, novelty sales and parking	1,181,835	141,838	93,012	993,240	2,409,925
Royalties, advertisements and sponsorships	125,000	—	—	1,615,585	1,740,585
Endowment and Investment Income	—	—	—	751,452	751,452
Other	249,462	33,818	35,100	297,391	615,771
Total operating revenues	27,404,916	5,696,406	4,100,792	5,674,417	42,876,531
Expenses:					
Athletic Student Aid	2,210,383	733,466	3,312,913	803,509	7,060,271
Guarantees	1,537,500	497,292	43,621	—	2,078,413
Coaching salaries, benefits and bonuses paid by the institution and related entities	2,352,567	1,888,937	2,622,379	—	6,863,883
Coaching other compensation and benefits paid by a third party	896,750	176,500	37,500	—	1,110,750
Support staff/administrative salaries, benefits and bonuses paid by the institution and related entities	524,173	209,531	89,464	5,666,860	6,490,028
Recruiting	279,684	211,394	223,571	—	714,649
Team travel	964,826	649,515	943,817	142,069	2,700,227
Equipment, uniforms and supplies	429,004	61,769	352,161	125,204	968,138
Game expenses	1,336,369	297,311	212,795	—	1,846,475
Fund raising, marketing and promotion	—	—	—	308,945	308,945
Direct facilities, maintenance and rental	42,274	16,855	14,307	1,499,579	1,573,015
Indirect facilities and administrative support	—	—	—	678,120	678,120
Other operating expenses	1,492,843	475,058	591,689	4,106,279	6,665,869
Total operating expenses	12,066,373	5,217,628	8,444,217	13,330,565	39,058,783
Net Revenues	**$ 15,338,543**	**$ 478,778**	**$ (4,343,425)**	**$ (7,656,148)**	**$ 3,817,748**

Statistical Section

SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30, (*amounts expressed in thousands*)					
	2006	2005	2004	2003	2002	2001
Revenues						
Student tuition and fees (net of scholarship allowances)	$ 166,912	$ 149,405	$ 131,049	$ 111,346	$ 97,269	$ 85,753
Federal grants and contracts	59,589	58,488	63,438	62,687	51,222	43,783
State grants and contracts	36,181	35,052	31,451	29,158	19,885	20,090
Local grants and contracts	1,311	1,678	1,136	1,319	1,103	837
Nongovernmental grants and contracts	9,435	9,800	9,742	10,140	8,656	7,100
Sales and services of educational and other activities	14,351	13,646	11,596	9,675	9,481	7,757
Sales and services of auxiliary enterprises (net of scholarship allowances)	71,774	65,443	63,585	60,049	58,158	59,647
Other operating revenues	16,438	14,496	14,263	13,204	12,156	11,310
Total operating revenues	375,991	348,008	326,260	297,578	257,930	236,277
State appropriations	134,678	126,589	126,020	139,615	155,453	165,918
Federal appropriations	11,338	10,986	10,339	11,492	9,772	16,260
Gifts	31,381	28,686	24,295	23,232	26,892	30,318
Interest income	3,340	5,102	4,916	7,587	7,405	8,048
Endowment income	7,804	6,252	6,769	2,563	(1,788)	(439)
Other nonoperating revenues	483	657	991	1,490	1,423	519
Proceeds from the sale of land	—	5,029	—	—	14,016	—
Total nonoperating revenues	189,024	183,301	173,330	185,979	213,173	220,624
Total revenues	$ 565,015	$ 531,309	$ 499,590	$ 483,557	$ 471,103	$ 456,901

	For the Year Ended June 30, (*percent of total revenue*)					
	2006	**2005**	**2004**	**2003**	**2002**	**2001**
Revenues						
Student tuition and fees (net of scholarship allowances)	29.5%	28.1%	26.2%	23.0%	20.6%	18.8%
Federal grants and contracts	10.5%	11.0%	12.7%	13.0%	10.9%	9.6%
State grants and contracts	6.4%	6.6%	6.3%	6.0%	4.2%	4.4%
Local grants and contracts	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%
Nongovernmental grants and contracts	1.7%	1.8%	1.9%	2.1%	1.8%	1.6%
Sales and services of educational and other activities	2.5%	2.6%	2.3%	2.0%	2.0%	1.7%
Sales and services of auxiliary enterprises (net of scholarship allowances)	12.7%	12.3%	12.7%	12.4%	12.3%	13.1%
Other operating revenues	2.9%	2.8%	2.9%	2.7%	2.7%	2.4%
Total operating revenues	66.4%	65.5%	65.2%	61.5%	54.7%	51.8%
State appropriations	23.8%	23.8%	25.2%	28.9%	33.0%	36.2%
Federal appropriations	2.1%	2.1%	2.1%	2.4%	2.1%	3.6%
Gifts	5.6%	5.4%	4.9%	4.8%	5.7%	6.6%
Interest income	0.6%	1.0%	1.0%	1.6%	1.6%	1.8%
Endowment income	1.4%	1.2%	1.4%	0.5%	(0.4)%	(0.1)%
Other nonoperating revenues	0.1%	0.1%	0.2%	0.3%	0.3%	0.1%
Proceeds from the sale of land	0.0%	0.9%	0.0%	0.0%	3.0%	0.0%
Total nonoperating revenues	33.6%	34.5%	34.8%	38.5%	45.3%	48.2%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2006 is available.
Source: Clemson University Financial Statements.

SCHEDULE OF EXPENSES BY USE

	For the Year Ended June 30, (*amounts expressed in thousands*)					
	2006	2005	2004	2003	2002	2001
Expenses:						
Compensation and employee benefits	$ 341,740	$ 314,270	$ 298,717	$ 304,259	$ 292,247	$ 271,332
Services and supplies	140,594	134,961	130,586	124,100	108,322	113,665
Utilities	13,884	12,032	12,103	11,542	12,006	11,198
Depreciation	25,829	24,474	23,323	22,359	19,158	18,694
Scholarships and fellowships	6,319	8,115	9,962	10,238	9,090	9,268
Total operating expenses	528,366	493,852	474,691	472,498	440,823	424,157
Interest on capital asset related debt	7,014	6,743	6,794	5,321	4,300	3,979
Loss on disposal of capital assets	686	553	1,205	1,094	1,396	1,226
Refunds to grantors	182	256	100	335	289	340
Total nonoperating expenses	7,882	7,552	8,099	6,750	5,985	5,545
Total expenses	$ 536,248	$ 501,404	$ 482,790	$ 479,248	$ 446,808	$ 429,702

	For the Year Ended June 30, (*percent of total expenses*)					
	2006	2005	2004	2003	2002	2001
Expenses:						
Compensation and employee benefits	63.7%	62.7%	61.9%	63.5%	65.4%	63.1%
Services and supplies	26.2%	26.9%	27.0%	25.9%	24.2%	26.5%
Utilities	2.6%	2.4%	2.5%	2.4%	2.7%	2.6%
Depreciation	4.8%	4.9%	4.8%	4.7%	4.3%	4.4%
Scholarships and fellowships	1.2%	1.6%	2.2%	2.1%	2.0%	2.1%
Total operating expenses	98.5%	98.5%	98.4%	98.6%	98.6%	98.7%
Interest on capital asset related debt	1.3%	1.3%	1.4%	1.1%	1.0%	0.9%
Loss on disposal of capital assets	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%
Refunds to grantors	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Total nonoperating expenses	1.5%	1.5%	1.6%	1.4%	1.4%	1.3%
Total expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Due to reporting format and definition changes prescribed by Governmental Standards No. 34 and 35, only information for fiscal year 2001-2005 is available.
Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF EXPENSES BY FUNCTION

	For the Year Ended June 30, (*amounts expressed in thousands*)					
	2006	2005	2004	2003	2002	2001
Expenses by function:						
Instruction	$ 144,342	$ 131,830	$ 121,968	$ 119,546	$ 114,357	$ 107,677
Research	106,608	104,580	104,510	101,788	93,953	87,659
Public services	56,912	52,772	51,496	57,502	56,508	56,571
Academic support	38,200	34,469	28,484	31,367	28,811	22,749
Student services	20,899	19,208	18,868	17,842	17,614	15,757
Institutional support	24,261	20,721	18,843	18,074	17,287	17,983
Operation and maintenance of plant	39,057	35,025	36,211	35,880	28,167	28,529
Scholarships and fellowships	5,956	7,727	9,626	9,871	8,682	8,894
Auxiliary enterprises	66,302	63,046	61,362	58,269	56,286	59,644
Depreciation	25,829	24,474	23,323	22,359	19,158	18,694
Interest on capital debt	7,014	6,743	6,794	5,321	4,300	3,979
Loss on disposal of capital assets	686	553	1,205	1,094	1,396	1,226
Refunds to grantors	182	256	100	335	289	340
Total expenses by function	$ 536,248	$ 501,404	$ 482,790	$ 479,248	$ 446,808	$ 429,702

	For the Year Ended June 30, (*percent of total expenses*)					
	2006	2005	2004	2003	2002	2001
Expenses:						
Instruction	26.9%	26.3%	25.4%	24.9%	25.7%	25.0%
Research	19.9%	20.9%	21.6%	21.2%	21.0%	20.3%
Public services	10.6%	10.5%	10.7%	12.0%	12.6%	13.2%
Academic support	7.1%	6.9%	5.9%	6.5%	6.4%	5.3%
Student services	3.9%	3.8%	3.9%	3.7%	3.9%	3.7%
Institutional support	4.5%	4.1%	3.9%	3.8%	3.9%	4.2%
Operation and maintenance of plant	7.3%	7.0%	7.5%	7.5%	6.3%	6.6%
Scholarships and fellowships	1.1%	1.5%	2.0%	2.1%	1.9%	2.1%
Auxiliary enterprises	12.4%	12.6%	12.7%	12.2%	12.6%	13.9%
Depreciation	4.8%	4.9%	4.8%	4.7%	4.3%	4.4%
Interest on capital debt	1.3%	1.3%	1.4%	1.1%	1.0%	0.9%
Loss on disposal of capital assets	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%
Refunds to grantors	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Total expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Due to reporting format and definition changes prescribed by Governmental Standards No. 34 and 35, only information for fiscal year 2001-2006 is available.
Source: Clemson University Statements.

SCHEDULE OF NET ASSETS AND CHANGES IN NET ASSETS

	For the Year Ended June 30, (*amounts expressed in thousands*)					
	2006	**2005**	**2004**	**2003**	**2002**	**2001**
Total revenues (from schedule of revenues by source)	$ 565,015	$ 531,309	$ 499,590	$ 483,557	$ 471,103	$ 456,901
Total expenses (from schedule of expenses by use and function)	(536,248)	(501,404)	(482,790)	(479,248)	(446,808)	(429,702)
Income before other revenues, expenses, gains or losses	28,767	29,905	16,800	4,309	24,295	27,199
State capital appropriations	19,938	12,469	2,543	10,570	12,483	14,687
Capital grants and gifts	2,727	7,487	2,568	6,175	1,865	4,354
Additions to permanent endowments	7,508	2,170	7,004	20	235	79
Transfers to other state funds	(347)	(198)	(299)	(549)	(418)	(359)
Total changes in net assets	58,593	51,833	28,616	20,525	38,459	45,960
Net assets, beginning	507,666	455,833	427,217	406,692	368,233	322,273
Net assets, ending	$ 566,259	$ 507,666	$ 455,833	$ 427,217	$ 406,692	$ 368,233
Invested in capital assets, net of related debt	$ 315,987	$ 294,089	$ 248,604	$ 256,258	$ 252,576	$ 221,983
Restricted - expendable	132,724	117,212	122,791	109,161	101,223	97,345
Restricted - nonexpendable	26,184	18,632	16,347	9,228	9,223	9,201
Unrestricted	91,364	77,733	68,091	52,570	43,670	39,704
Total	$ 566,259	$ 507,666	$ 455,833	$ 427,217	$ 406,692	$ 368,233

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statements No. 34 and 35, only information for fiscal years 2001-2006 is available.
Source: Clemson University Financial Statements.

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

	For the Year Ended June 30, (amounts expressed in thousands except for outstanding debt per student)									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General obligation bonds	$ 43,655	$ 46,605	$ 49,460	$ 42,465	$ 9,915	$ 10,900	$ 11,830	$ 12,705	$ 13,540	$ 14,330
Plant improvement bonds	3,770	4,435	5,070	5,685	6,275	6,845	7,360	7,845	8,235	8,100
Revenue bonds	64,981	61,322	63,982	38,475	40,910	43,355	45,695	26,415	28,740	28,760
Athletic facilities revenue bonds	37,685	23,840	24,935	25,975	19,960	20,985	—	—	—	—
Stadium refunding bonds	—	—	—	—	—	—	—	1,035	2,015	2,945
Notes payable	2,771	852	1,048	706	155	202	475	557	337	929
Capital lease obligations	3,143	4,276	5,355	6,369	7,323	8,205	9,034	9,588	7,940	8,464
Total outstanding debt	$ 156,005	$ 141,330	$ 149,850	$ 119,675	$ 84,538	$ 90,492	$ 74,394	$ 58,145	$ 60,807	$ 63,528
Full-time equivalent students	a	16,043	15,948	15,780	15,620	15,800	16,053	15,685	15,258	15,087
Outstanding debt per student	a	$ 8,809	$ 9,396	$ 7,584	$ 5,412	$ 5,727	$ 4,634	$ 3,707	$ 3,985	$ 4,211

a: Data for 2006 is not yet available

Note: Outstanding debt per student calculated using full-time equivalent student enrollment data for the last ten academic years (page 70).

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

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years

(amounts in thousands)

General Obligation Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2006	$ 8,733	$ 8,733	$ 2,950	$ 1,836	$ 4,786	1.82
2005	7,120	7,120	2,855	1,932	4,787	1.49
2004	6,881	6,881	4,005	1,921	5,926	1.16
2003	6,876	6,876	1,615	1,530	3,145	2.19
2002	4,843	4,843	985	555	1,540	3.14
2001	4,325	4,325	930	608	1,538	2.81
2000	3,568	3,568	875	658	1,533	2.33
1999	2,983	2,983	835	704	1,539	1.94
1998	2,880	2,880	790	747	1,537	1.87
1997	2,826	2,826	365	353	718	3.94

Plant Improvement Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2006	$ 1,003	$ 1,003	$ 665	$ 190	$ 855	1.17
2005	1,005	1,005	635	216	851	1.18
2004	1,003	1,003	615	242	857	1.17
2003	1,002	1,002	590	266	862	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

Athletic Facilities Revenue Bonds

Fiscal Year Ended June 30,	Athletic Revenues	Athletic Operating Expenses	Net Athletic Revenues	Admissions Fee	Total Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage Ratio
2006	$ 42,877	$ 39,059	$ 3,818	$ 2,057	$ 5,875	$ 1,155	$ 1,404	$ 2,559	2.30
2005	36,496	34,479	2,017	1,744	3,761	1,095	1,059	2,154	1.74
2004	36,608	33,907	2,701	1,796	4,497	1,040	1,105	2,145	2.10
2003	34,934	32,084	2,850	1,449	4,299	985	871	1,856	2.32
2002	27,456	24,929	2,527	833	3,360	1,025	823	1,848	1.82
2001	26,261	25,173	1,088	771	1,859	—	—	—	1.00

Revenue Bonds

Fiscal Year Ended June 30,	Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage Ratio
2006	$ 39,855	$ 26,706	$13,149	$ 3,505	$ 3,233	$ 6,738	1.95
2005	38,524	25,354	13,170	2,605	3,126	5,731	2.30
2004	35,444	23,579	11,865	2,555	3,048	5,603	2.12
2003	34,284	22,143	12,141	2,435	2,157	4,592	2.64
2002	32,701	21,941	10,760	2,445	2,290	4,735	2.27
2001	31,370	22,254	9,116	2,340	2,398	4,738	1.92
2000	29,996	21,559	8,437	2,340	1,235	3,575	2.36
1999	27,991	21,143	6,848	2,325	1,339	3,664	1.87
1998	27,370	19,978	7,392	1,395	467	1,862	3.97

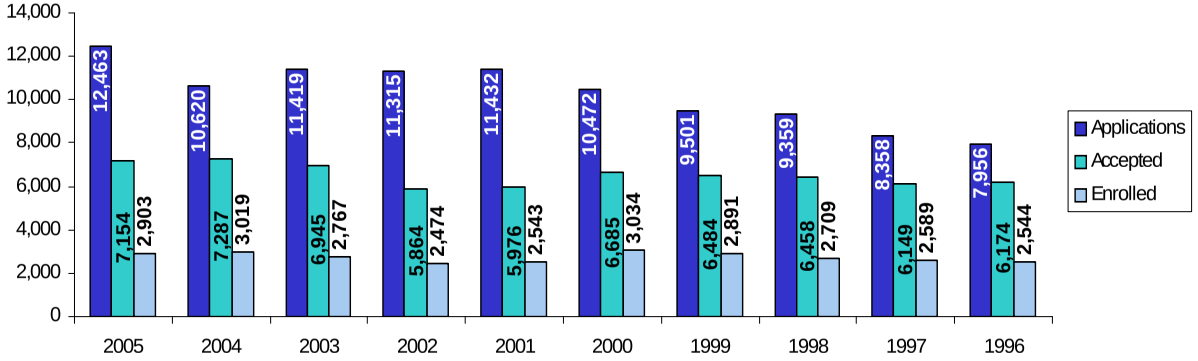
Note: The revenue bonds are secured by revenues from five sources: dining services, vending operations, the university bookstore, student housing and parking.
Source: Clemson University Comptroller's Office

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

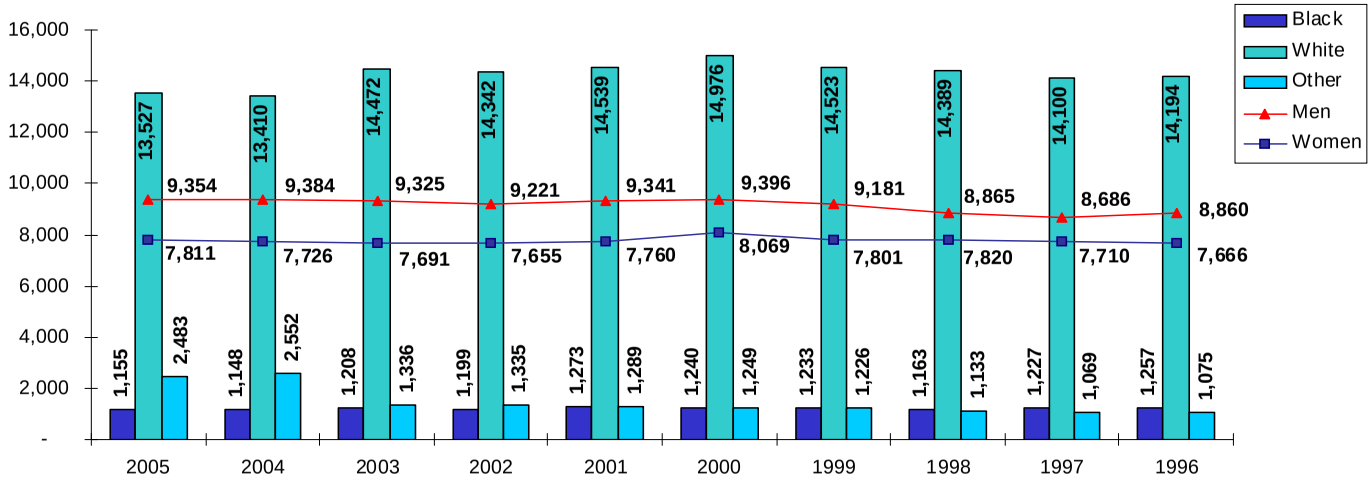
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Admissions-Freshman										
Accepted as a Percentage of Applications	57.4%	68.6%	60.8%	42.2%	52.3%	63.8%	68.2%	69.0%	73.6%	77.6%
Enrolled as a										
Percentage of Accepted	40.6%	41.4%	39.8%	51.8%	42.6%	45.4%	44.6%	41.9%	42.1%	41.2%
SAT Scores-Total	1,225	1,203	1,204	1,205	1,191	1,172	1,158	1,145	1,140	1,128
Verbal	600	589	587	587	584	575	569	564	577	557
Math	625	614	617	618	607	597	589	581	563	571
South Carolina Average SAT Score-Total	993	986	989	981	974	966	954	951	955	954

Admissions - Freshman Applied, Accepted and Enrolled



	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Enrollment										
Undergraduate and Graduate FTE	16,043	15,948	15,780	15,620	15,800	16,053	15,685	15,258	15,087	14,978
Undergraduate and Graduate Headcount	17,165	17,110	17,016	16,876	17,101	17,465	16,982	16,685	16,396	16,526
Percentage of Men	54.5%	54.8%	54.8%	54.6%	54.6%	53.8%	54.1%	53.1%	53.0%	53.6%
Precentage of Women	45.5%	45.2%	45.2%	45.4%	45.4%	46.2%	45.9%	46.8%	47.0%	46.4%
Percentage of Black	6.7%	6.7%	7.1%	7.1%	7.4%	7.1%	7.3%	6.9%	7.5%	7.6%
Percentage of White	78.8%	78.4%	85.0%	85.0%	85.0%	85.8%	85.5%	86.2%	86.0%	85.9%
Percentage of Other	14.5%	14.9%	7.9%	7.9$	7.6%	7.1%	7.2%	6.7%	6.5%	6.5%

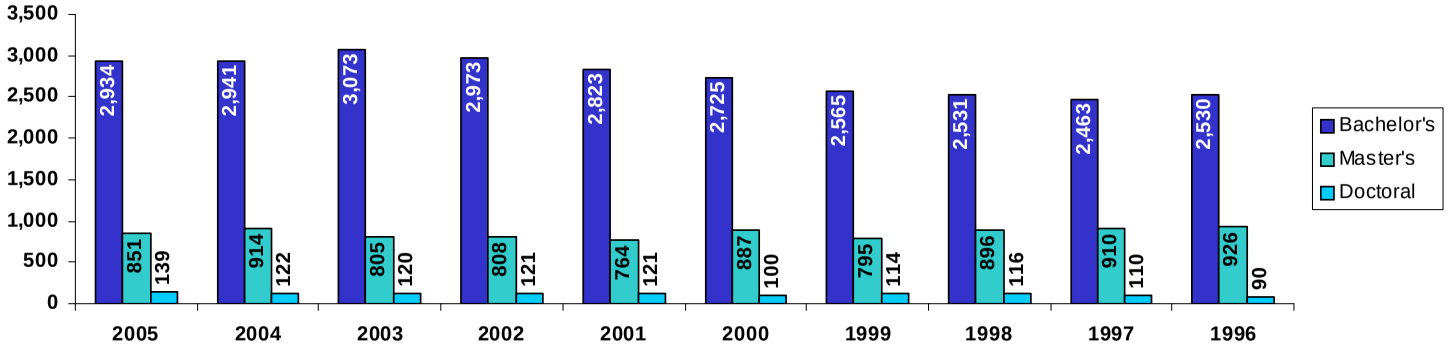
Enrollment — Undergraduate and Graduate Headcount



Degrees Earned

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Bachelor's	2934	2,941	3,073	2,973	2,823	2,725	2,565	2,531	2,463	2,530
Master's	851	914	805	808	764	887	795	896	910	926
Doctoral	139	122	120	121	121	100	114	116	110	90

Degrees Earned



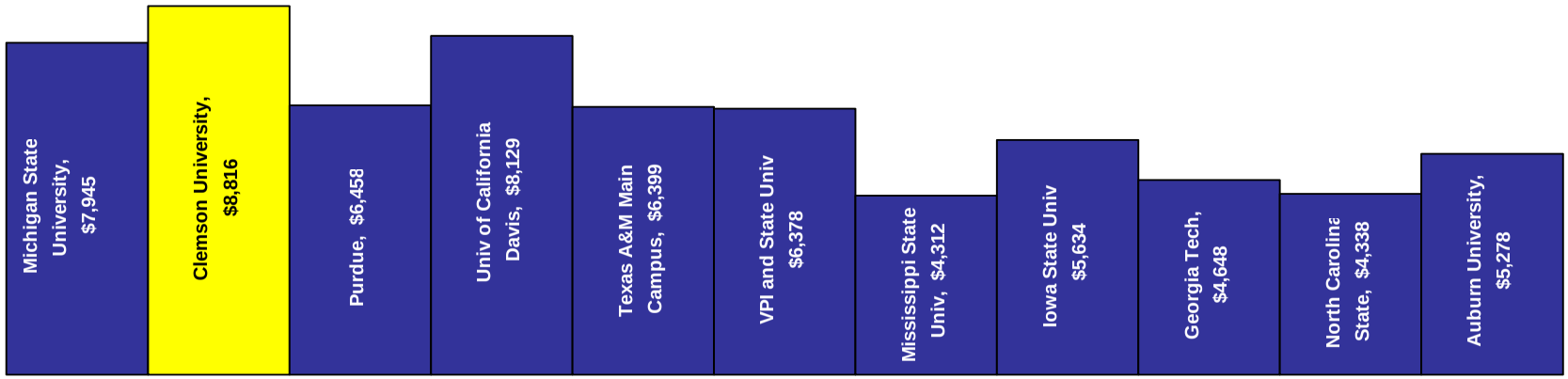
Source: Clemson University Office of Institutional Research.

UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

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

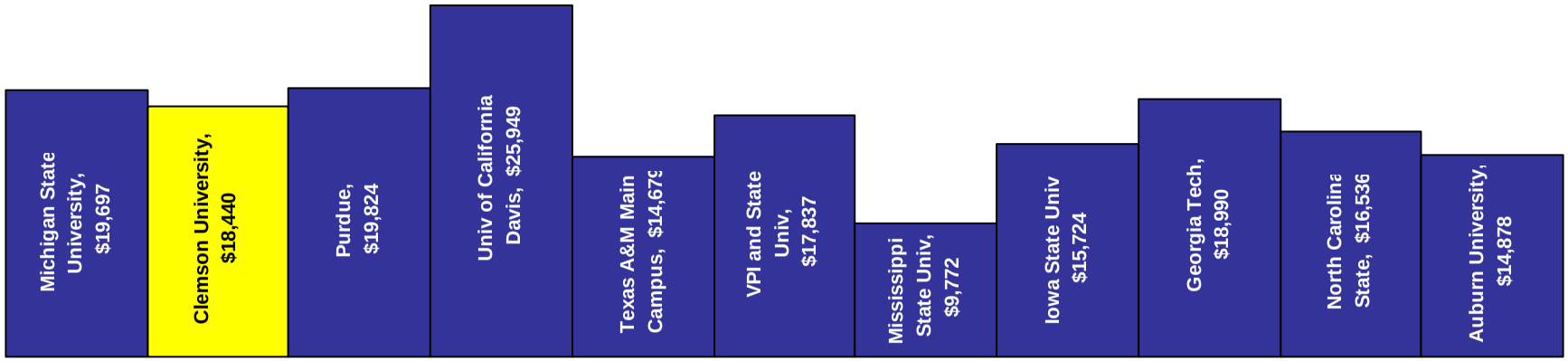
Institution - Resident	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Michigan State University	$ 7,945	$ 7,000	$ 6,703	$ 5,022	$ 4,632	$ 4,256	$ 4,120	$ 4,032	$ 3,944	$ 3,834
Clemson University	**8,816**	**7,840**	**6,934**	**5,834**	**4,490**	**3,590**	**3,470**	**3,344**	**3,252**	**3,112**
Purdue	6,458	6,092	5,860	5,580	4,164	3,872	3,724	3,564	3,352	3,208
Univ of California-Davis	8,129	7,557	6,438	4,630	4,595	4,072	4,034	4,153	4,332	4,262
Texas A & M	6,399	5,955	5,051	3,949	3,127	2,809	2,640	2,419	2,337	1,977
VPI and State University	6,378	5,838	5,095	3,936	3,664	3,640	3,620	4,305	4,147	4,131
Mississippi State Univ	4,312	3,874	3,874	3,874	3,586	3,117	3,017	3,017	2,731	2,631
Iowa State Univ	5,634	5,426	5,028	4,110	3,442	3,132	3,004	2,874	2,766	2,666
Georgia Tech	4,648	4,278	4,076	3,616	3,454	3,308	3,108	2,991	2,901	2,685
North Carolina State	4,338	4,260	3,970	3,827	3,302	2,814	2,414	2,364	2,200	2,200
Auburn University	5,278	4,828	4,426	3,784	3,260	3,050	2,895	2,760	2,565	2,355

Undergraduate Tuition and Fees - Resident - 2006



Institution - Non Resident	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Michigan State University	$ 19,697	$ 17,845	$ 16,663	$ 12,276	$ 11,310	$ 10,388	$ 10,042	$ 9,806	$ 9,596	$ 9,486
Clemson University	**18,440**	**16,404**	**14,532**	**12,932**	**11,284**	**9,784**	**9,456**	**9,100**	**8,676**	**8,316**
Purdue	19,824	18,700	17,640	16,260	13,872	12,904	12,348	11,784	11,184	10,636
Univ of California-Davis	25,949	24,513	20,648	17,009	15,669	14,686	14,208	13,727	13,316	12,656
Texas A & M	14,679	13,695	12,131	9,181	8,191	7,969	7,824	7,531	7,473	7,113
VPI and State University	17,837	16,581	15,029	13,552	12,488	12,128	11,844	11,521	11,111	10,783
Mississippi State Univ	9,772	8,780	8,780	8,780	8,125	7,065	6,119	6,119	5,551	5,451
Iowa State Univ	15,724	15,128	14,370	12,802	10,776	9,974	9,564	9,152	8,808	8,480
Georgia Tech	18,990	17,558	16,002	13,986	12,350	10,826	10,350	9,921	9,621	8,946
North Carolina State	16,536	16,157	15,818	15,111	13,294	11,980	11,580	11,530	10,732	10,732
Auburn University	14,878	14,048	12,886	11,084	9,780	9,150	8,685	8,280	7,695	7,065

Undergraduate Tuition and Fees - Non Resident - 2006



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.

FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Faculty*										
Part-time	148	159	156	178	161	184	147	230	181	174
Full-time	1,175	1,099	1,095	1,088	1,087	1,057	1,055	1,026	1,038	1,061
Percentage tenured	44.3%	44.8%	44.2%	44.9%	46.9%	48.5%	52.5%	51.4%	53.5%	53.1%
Staff and administrators with faculty rank										
Part-time	229	227	201	210	206	224	242	260	232	242
Full-time	2,917	2,843	2,817	2,916	2,954	2,944	2,832	2,889	2,837	2,800
Total employees										
Part-time	377	386	357	388	367	408	389	490	413	416
Full-time	4,242	3,942	3,912	4.004	4.041	4,001	3,887	3,915	3,875	3,861
Students per full-time										
Faculty	15.0%	15.6	15.5	15.5	15.7	16.5	16.1	16.3	15.8	15.6
Staff member	5.9%	6.0	6.0	5.8	5.9	5.9	6.0	5.8	5.8	5.9
Average annual faculty salary	$ 72,854	$ 71,652	$ 67,446	$ 66,262	$ 64,118	$ 60,048	$ 60,282	$ 56,188	$ 54,595	$ 53,075

*IPEDS faculty (Instructional, Research and Public Service)

Source: Clemson University Office of Institutional Research

SCHEDULE OF CAPITAL ASSET INFORMATION

	2006	2005	2004	2003	2002	2001
Academic buildings						
Net assignable square feet (in thousands)	1,030,574	991,148	975,674	947,671	957,219	978,267
Administrative and support buildings						
Net assignable square feet (in thousands)	802,492	797,169	809,272	810,782	805,837	800,330
Laboratories						
Net assignable square feet (in thousands)	530,723	562,792	560,962	453,125	537,997	364,645
Auxiliary and independent operations buildings						
Net assignable square feet (in thousands)	1,781,931	1,753,852	1,742,076	1,751,840	1,778,193	1,835,720
Student Housing:						
Residence halls	23	21	21	21	21	21
Suites	3	3	3	3	3	3
Apartments	4	4	4	4	4	4
Units available	6,346	6,346	6,216	6,221	6,468	6,577
Units in use	6,148	6,148	6,398	6,267	6,313	6,588
Percent occupancy	97%	97%	102.9%	100.7%	97.6%	100.2%
Dining facilities:						
Locations	16	15	14	13	12	11
Average daily customers	14,685	13,986	13,430	12,382	11,957	12,027
Parking facilities:						
Parking spaces available	13,302	13,312	13,312	13,211	12,639	12,426
Parking permits issued to students	14,891	15,983	15,950	13,919	12,460	12,781
Parking permits issued to faculty/staff	5,024	5,374	4,650	4,359	4,177	4,018

Note: Prior fiscal year data is not readily available.

Sources:

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

DEMOGRAPHIC STATISTICS

State of South Carolina

Last Ten Calendar Years

Year	Population as of June 30	Total Personal Income	Per Capita Income	Average Annual Unemployement Rate
2005	4,255,083	120,639	28,352	6.8%
2004	4,197,892	114,121	27,185	6.8%
2003	4,146,753	107,701	25,972	6.7%
2002	4,102,568	104,046	25,361	5.9%
2001	4,059,560	101,468	24,994	5.2%
2000	4,023,560	98,270	24,424	3.6%
1999	3,974,682	91,716	23,075	4.1%
1998	3,919,235	86,854	22,161	3.6%
1997	3,859,696	81,004	20,987	4.4%
1996	3,796,200	76,144	20,058	5.6%

Source: South Carolina Comptroller General's Office

TEN LARGEST EMPLOYERS

State of South Carolina

Latest Completed Calendar Year and Four Years Prior (a)

(Listed Alphabetically)

2005	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Charleston County School District	Michelin Tire Corporation
Greenville Hospital System	School District of Greenville
Michelin North America, Inc.	Springs Industries, Inc.
School District of Greenville	University of South Carolina
U.S. Department of Defense	U.S. Department of Defense
U.S. Postal Service	U.S. Postal Service
Wal-Mart Associates, Inc.	Wal-Mart Associates, Inc
Washington Savannah River	Westinghouse Savannah River

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

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

Source: South Carolina Comptroller General's Office