



# UNIVERSITY OF **SOUTH CAROLINA**



## **Comprehensive Annual Financial Report**

For the Year Ended June 30, 2016

A Component Unit of the State of South Carolina



## **ON THE COVER**

Sloan College, named in honor of former University president Benjamin Sloan, is featured on the front cover. Sloan College was built in 1927 to house mathematics, engineering, and physics, and now houses the Department of Art. This beautiful building is located on the University's historic Horseshoe.

*All photos provided by University Creative Services*



# **Comprehensive Annual Financial Report**

For the Year Ended June 30, 2016

A Component Unit of the State of South Carolina

Prepared by the Controller's Office



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# Introductory Section

(Unaudited)

UNIVERSITY OF SOUTH CAROLINA

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October 31, 2016

Harris Pastides  
President

Dear Carolina Community:

Now in my ninth year as President of the University of South Carolina, I am pleased to see our growing national momentum as we continue to prioritize strategic initiatives across the USC System that foster college readiness, access, retention and graduation. We are specifically focused on ensuring that our graduates continue to become active and productive citizens.



I know you will agree that a stronger University of South Carolina translates into a stronger state of South Carolina. As a state it is essential that we continue to prioritize our focus on K-20 education. It's also important to note that even as USC graduates nearly 40 percent of the state's public college graduates with a baccalaureate degree or higher, the Palmetto State will still need an additional 70,000 more baccalaureate degree holders, above the current graduation rates, by 2030 to meet the needs of business, industry and health care.

This is why members of my executive leadership team and I are committed to a new 21<sup>st</sup> Century university that provides what our students need to help them become the workforce ready graduates and the leaders that our state and nation deserve. In 2008, we developed Focus Carolina, a strategic plan that served us well throughout the recession. Today, we are bucking enrollment trends as students apply and matriculate at USC in record numbers. In fact, more than 25,000 students applied to be a member of the 2020 freshman class on our Columbia campus. Those we enrolled make up the most academically talented freshman class in the university's history with significant gains in SAT scores among all freshman students as well as our 965 Capstone Scholars and our 500 South Carolina Honors College students.

The Columbia campus is also in the top 3 percent of universities in the United States who graduate the most African-American students, while USC Upstate was recently recognized by U.S. News and World Report as a top school in the Southeast for ethnic diversity. I can think of no better way to address social and economic equality than by providing opportunities through a college degree for all of our citizens. Indeed, the University of South Carolina awards more bachelor's, master's, professional and doctoral degrees to African-American students than any other university in South Carolina.

We know that college graduates stimulate our economy and make more money than those employed without college degrees. And USC and its statewide alumni have a tremendous economic impact as they build the tax base and contribute more than \$200 million annually in state revenue. We also bring a high return on investment with a \$4.1 billion annual economic impact--\$25 is returned to the state's economy for every \$1 invested in higher education. This is all positive news for the Palmetto state.

In addition, our research university in Columbia is driving discovery and innovation. We were delighted to learn that U.S. News ranks USC as the top global university in the state and that the Carnegie Foundation lists us as one of only 32 public universities nationwide to receive both the top-tier research designation and the top-tier community engagement designation. Our 21<sup>st</sup> Century university has assembled an exceptional faculty that produces scholarship and research at the highest level. Their productivity continues to set new records for research and sponsored awards, and brought in more than a quarter billion dollars in external funding during the last fiscal year alone. In addition to critical partnerships with IBM, Boeing and hundreds of smaller businesses throughout the state, we have been recognized by the National Academy of Inventors as one of the top 100 global universities to be granted U.S. patents.

The scope and depth of the USC system allows us to offer a point of admission for any South Carolina high school graduate while also offering some of the most sought after degrees in the country including those in high-growth, high-employability fields like the Health Sciences. Today, health profession jobs are in great demand in South Carolina, a state where health care needs are profound. Our undergraduates are offered unique advantages at our two medical schools—one a partner with Greenville Health Systems (GHS) and one here in Columbia partnering with Palmetto Health and the Dorn Veterans Administration Medical Center. In addition, USC's Arnold School of Public Health, the only accredited public health school in the state, will soon open a satellite campus in Greenville. We also have expanding award-winning programs in social work, pharmacy and nursing, including Palmetto College's online nursing courses. More good news for our state.

As always, we remain committed to advancing the economic and overall wellbeing of South Carolina. Now, more than ever, it is imperative that state government and the university work together to redesign a new financial reality that is sensitive to the limited resources of our state's students and their families. State budget cuts have forced Carolina to apply moderate tuition increases of not more than 3.25 percent over the past five years. Today, parents are asking that tuition increases be reined in. With that in mind, I intend to keep advocating for increased state funding.

Clearly, USC is working tirelessly to make South Carolina more prosperous, healthier and more vibrant. This is why we often say that Carolina changes everything.

Sincerely,

  
Harris Pastides



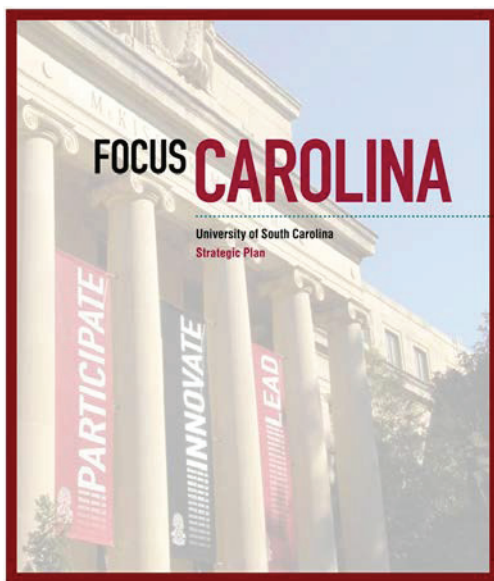
## UNIVERSITY OF SOUTH CAROLINA Strategic Plan

**Focus Carolina**, initiated in 2008, is a strategic plan that outlines key decision-making for USC in the next decade and beyond. **Focus Carolina** is a comprehensive, system-wide strategic planning initiative announced by President Harris Pastides that involves the entire University family including hundreds of faculty, students, staff, and alumni.

**Focus Carolina** articulates the University's quest for quality, leadership, innovation, diversity, access, global competition, and community engagement at all eight campuses of the University system. Specific initiatives include aerospace science and engineering; alternative fuels, materials science, composites technology, and nanotechnology; sustainability and the environment; P-20 education; and Rule of Law. Other goals include improvement of student retention and on-time graduation, increasing access to baccalaureate degree through USC's regional campuses, and engaging further with communities.

The full **Focus Carolina** strategic plan is available on the web at this address: <http://www.sc.edu/focuscarolina/>

The comprehensive update from December 2011 is available on the web at this address: [http://www.sc.edu/focuscarolina/pdfs/Focus Carolina Full Planrev1.pdf](http://www.sc.edu/focuscarolina/pdfs/Focus_Carolina_Full_Planrev1.pdf)



On September 8, 2015, President Pastides assembled the executive team for a day-long retreat to consider options for refining **Focus Carolina** and for developing a refreshed strategic plan for USC. President Pastides called for a plan for the University's future that assumes the priorities of **Focus Carolina** while establishing goals that are based on the most current dynamics in the state, the nation, and the world.

At the October 18, 2015, meeting of USC's Board of Trustees, President Pastides and Provost Joan Gabel outlined for the Board a process by which a refreshed strategic plan would be developed, vetted, discussed with University stakeholders, and then

presented to the Board in detail at a weekend retreat in late January of 2016. President Pastides and Provost Gabel committed to developing a refreshed strategic plan containing measurable goals, progress against which will be reported to the Board on a regular basis. Similarly, the strategic plan's goals will be aligned with an institutional dashboard of metrics to be compared to data for peer institutions across time.

During the January 2016 retreat of USC's Board of Trustees, the University's administration presented to the Board five broad goals that are shaping the University's refreshed strategic-planning process. A summary of these goals, with sample initiatives, is as follows:

### **Educating the Thinkers and Leaders of Tomorrow**

***Goal 1: The University of South Carolina Columbia will offer superior academic and co-curricular experiences for its undergraduate and graduate students. The University will educate and graduate more students than ever in its history, while continually strengthening the quality of the student experience and while designing curricula optimized to prepare USC students to think and to lead as the 21st-century's global economy demands.***

- Maximize students' participation in and the quality of modernized curricula, experiential learning, international opportunities, co-curricular activities, and distinctive programs.
- Improve persistence across student categories, while enacting measured growth of entering freshman classes with a focus on access and affordability.
- Increase students' readiness for life as alumni: meeting certification and licensure requirements, preparing for the demands of the workforce, securing placement in jobs and graduate/professional programs, managing low levels of student debt, earning salaries worthy of their education, and otherwise enjoying the fruits of a USC degree.

### **Assembling a World-Class Faculty**

***Goal 2: The University of South Carolina Columbia will hire top faculty with attention to institutional enrollment growth, disciplinary evolution, student demand, and economic trends. The University will bolster its areas of competitive strength, while promoting faculty opportunities in development of curricula, pedagogy, scholarly production, practical applications of discovery, and creative endeavors.***

- Increase the size of the University's faculty proportionately to student enrollment, allocating faculty lines in accordance with strategic needs.
- Support all categories of faculty throughout their careers with development opportunities relative to curricula, pedagogy, innovation, alternate modalities of course delivery, cross- and inter-disciplinary collaboration, and scholarly growth.
- Focus on workforce policy issues relative to USC's faculty as categories and demographics of faculty evolve.

### **Spurring Knowledge and Creation**

***Goal 3: The University of South Carolina Columbia will further its status as an R1 doctoral university characterized by "highest research activity" according to the Carnegie Classification of Institutions of Higher Education, by fostering increased scholarly activity among faculty—extending the University's service to the State, the nation, and the globe through unique discoveries, applications, and creations that better the planet. The University will increasingly afford both undergraduate and graduate students with opportunities to participate meaningfully in scholarly research and creation.***

- Increase research dollars, research expenditures, technology transfer, patent production, and external partnerships among USC faculty.
- Maximize applicable research opportunities for undergraduate and graduate students.

- Modernize research facilities suitable for the University's population and for learning and research modes of the future, along with library facilities to serve the University's population with learning spaces and with holdings in both physical and digital forms.

### **Building Inclusive and Inspiring Communities**

***Goal 4: The University of South Carolina Columbia will welcome all persons into University life, inclusively and equitably. The University will celebrate the diversity of its students, faculty, staff, and alumni—while documenting the successes of the University as an educational institution and as a workplace that inspires participation and contribution by all.***

- Increase focus on the composition of USC's student, faculty, and staff populations—offering support for all members of the University community.
- Foster a campus climate that is welcoming, inclusive, and befitting the University's educational mission, while promoting deeper understandings of and appreciations for the world's diverse populations, through engagement and dialogue.
- Conduct research and promote findings regarding the University's successes in diversity, education, and excellence.

### **Ensuring and Communicating Institutional Excellence**

***Goal 5: The University of South Carolina Columbia will extend its stewardship of the State of South Carolina's trust through excellence in overseeing the University's finances, infrastructure, physical plant, and administrative practices. The University will maximize and demonstrate its value proposition to the State and to the world.***

- Construct a physical plant suitable for the USC population's learning, residential, lifestyle, and working needs.
- Support USC's needs and aspirations through efficiencies in administration, infrastructure, finance, and philanthropy.
- Further the University's mission and benefit the State of South Carolina by offering the University's resources, lessons, and messages to populations eager for knowledge, engagement, and betterment.

During the January 2016 retreat of USC's Board of Trustees, the University's administration presented further an updated set of peer and peer-aspirant institutions for comparison uses as the University assesses its progress across time according to a widened set of metrics in the institutional dashboard. Progress relative to these measures was reported to the Board of Trustees during its meeting on September 16, 2016—with unofficial data provided relative to USC's Fall semester data and demographics of its newest freshman class. Updates regarding progress toward completing the new strategic plan and toward fulfilling the wider requirements of USC's institutional dashboard have been provided to Board members in individual meetings hosted by Provost Gabel throughout 2016.

In January of 2017, USC administrators will present a final draft of its strategic plan to the University's Board of Trustees. Furthermore, administrators will present the strategic plan in terms of expected costs. How revenue might support these costs in the future, perhaps through revised budget models, will be an additional focus of discussion. The plan's initiatives will be presented in terms of metrics for achieving success beyond costs and revenue as well. Thus, strategic plans for advancing the University of South Carolina's future will drive discussions regarding both resource allocations and measurements of progress toward goals.



## HORSESHOE GATES

A visit to the University of South Carolina isn't complete without a glimpse of its historic Horseshoe. The U-shaped formation of the original campus has seen more than two centuries of history unfold, earning a position on the National Register of Historic Places.

*All photos provided by University Creative Services*



Vice President for Finance &  
Chief Financial Officer

### *Letter of Transmittal*

October 31, 2016

President Pastides,  
Members of the Board of Trustees, and  
Friends of the University of South Carolina

We are pleased to present our Comprehensive Annual Financial Report of the University of South Carolina for the year ended June 30, 2016. This report includes the financial statements as well as other data that describes the University's financial position at the end of the year and helps ensure University accountability to the public. The annual report encompasses three major sections: Introductory, Financial, and Statistical, as well as all disclosures necessary for the reader to gain an understanding of the University's financial operations. The Financial Section presents management's discussion and analysis (MD&A) which, when read in conjunction with the financial statements and the notes to the financial statements, provides a more complete picture of the financial health of the USC System.

Responsibility for the accuracy of the information and for the completeness, reliability and fairness of all information contained in this report, rests with the University's administration. A comprehensive framework of internal controls has been established to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of controls should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and to the Audit and Compliance Committee of the Board of Trustees and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

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, 2016, the University contracted with the independent certified public accounting firm of Elliott Davis Decosimo, LLC, to perform the University's annual audit. The auditors



have issued an unmodified opinion, the most favorable outcome of the audit process. The University's internal auditors also perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with University administration. Internal and external audit reports are provided to the Audit and Compliance Committee of the Board of Trustees. As a lump sum agency of the State of South Carolina, the University is required to provide a complete set of audited financial statements by October of each year for incorporation into the statewide Comprehensive Annual Financial Report. This report fulfills that requirement for the fiscal year ending June 30, 2016. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. The letter of transmittal complements the MD&A and should be read in conjunction with it.

### **Profile of the University**

The University of South Carolina is a state-supported, coeducational institution of higher education. The University of South Carolina is home to more than 200 years of history and tradition, rising from a single building in 1805 on what would become the heart of the campus, the Horseshoe. The Palmetto State established South Carolina College, the precursor to the University of South Carolina, on December 19, 1801, as part of an effort to unite South Carolinians in the wake of the American Revolution. Located in the Capital City, the University was purposefully located and positioned to become the State's higher education leader. USC is one of only 32 public universities to receive both the top-tier research designation and the community engagement designation from the Carnegie Foundation. The University's mission is to educate the state's diverse citizens through teaching, research, creative activity, and service.

The University of South Carolina is governed by the Board of Trustees in accordance with Title 59 Chapter 117 of the State of South Carolina Code of Laws. The Board of the University of South Carolina is composed of 20 members including sixteen members elected by the General Assembly and one from each judicial circuit. Additionally, there are three *ex officio* members including the Governor (or designee), the State Superintendent of Education, and the President of the Greater University of South Carolina Alumni Association. The Governor also appoints one member at-large.

The financial reporting entity for the financial statements is composed of the Columbia campus, including the School of Medicine with locations in Columbia and Greenville, and seven system campuses. The accompanying financial statements present all funds belonging to the University and its component units. Ten separately chartered legal entities, whose activities are related to those of the University and whose primary purpose is to provide financial assistance and other support to the University and its education program, are discretely presented as component units of the University. These include the South Carolina Research Foundation, the University of South Carolina School of Medicine Educational Trust, the Beaufort-Jasper Higher Education Commission, the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the University

of South Carolina Upstate Foundation; the University of South Carolina Upstate Capital Development Foundation; and the Educational Foundation of the University of South Carolina – Lancaster. Because the activities and resources of these entities are significant, provide a direct benefit, and are accessible to the University, they are considered component units of the University and are discretely presented in the University's financial statements. Additional information on the reporting entity can be found in the notes to the financial statements.

The University of South Carolina's Columbia campus has 329 unique degree programs through its 14 degree-granting colleges and schools. The University houses the only public law school in South Carolina and has two medical campuses. Access to the University is broad and deep. Joining the flagship campus in Columbia are four-year comprehensive, baccalaureate campuses in Aiken, Beaufort, and Upstate (Spartanburg-Greenville). Four two-year campuses-Lancaster, Sumter, Salkehatchie (Allendale and Walterboro), and Union help the University cover the state; making USC the most comprehensive and most affordable higher education system in South Carolina.

Additional access points include agreements with all technical colleges in the state and a bridge arrangement with Midlands Technical College that is designed to provide a one-year residential program that offers access, affordability and the eventual opportunity to enroll at the University of South Carolina. Palmetto College is an academic programs coordinating unit that has expanded baccalaureate degree programs to rural populations via expanded online learning. In conjunction with Academic Partnerships, the University offers master's degree programs on line.

The University conducts business under a comprehensive set of policies and procedures to improve communication, promote administrative consistency and efficiency and ensure compliance with pertinent state and federal laws as well as state and regional accreditation requirements. Financial policies are in place for university accounting to include revenue and expenditures, contract and grant accounting, tuition and fee assessment, payroll and capital debt. Following the implementation of new administrative finance systems, policies have been updated to conform to revised practices.

### **Local Economy**

The economic position of the University is loosely tied to the State of South Carolina. The economy remains in measured recovery from the depths of the Great Recession. State tax and revenue collections continue to rebound from the lows reached in 2010. From 2008-09, the state reduced its general fund budget by \$1.66 billion or 24 percent from the peak in fiscal year 2007. These reductions translated to losses in state appropriations of more than \$112 million or 50 percent, for the University of South Carolina. Higher education funding across South Carolina has been reduced as a proportion of total State General Fund Appropriations. The University has increased strategic efforts to collaborate with state business organizations, education advocacy



groups and other state higher education institutions to rebuild relationships between the Universities and state legislators in an effort to bring our institutions back to prominence.

In 2016, the University received approximately \$5 million in new, recurring state funds for academic initiatives, system campus parity funding and fringe benefit adjustments. An additional \$10 million in non-recurring funding was received for capital projects. Additional increases in state funding are also provided for the 2017 fiscal year.

According to the South Carolina Board of Economic Advisors, final state general fund revenue estimates were at 99.79 percent of the increased annual forecast. This resulted in a \$16.8 million state shortfall. However, these funds were not part of the state general fund budget, yet now indicate that the state has no additional surplus above constitutionally required amounts. The annual growth rate from the 2015 fiscal year to 2016 was approximately 4 percent. Growth in taxes from corporations, individuals and from sales and use supported the annual increase in total state revenue. Economists at the USC Moore School of Business noted that the state's labor market continues to grow with the jobless rate at its lowest point since the early 2000s. Much of the growth in the job market has been focused on the metropolitan areas, particularly the Lowcountry region. After initially centering on the manufacturing sector, the state's unemployment growth has become fairly broad-based, outpacing the national average.

Following Federal Sequestration, the University has expected stagnant or reductions in Federal grant funding in the 2015 and 2016 fiscal years. However, Federal grant awards for the prior year increased by approximately \$7.2 million across the system and by \$12.5 million in 2015.

### **Long Term Financial Planning and Major Initiatives**

The University of South Carolina engages in a systematic, integrated, system-wide process of planning and evaluation that seeks to ensure clarity regarding the institution's mission, goals and outcomes; provide data-based feedback and assessment to ensure continual improvement for the University; and demonstrate that the University is effectively fulfilling its three-fold mission of teaching, research, and service. The University accomplishes this through *Focus Carolina*, the system-wide strategic planning effort, and the Annual Blueprint for Academic and Service Excellence process, which is the structured method for annual planning, evaluation, and assessment for each academic and service unit for the University. In September 2015, a new strategic planning process, *Carolina 2026*, was launched as an effort to describe a ten year plan that will take the University to the 225<sup>th</sup> anniversary. The Board of Trustees participates in the planning process through the Ad Hoc Committee on Strategic Planning, the Buildings and Grounds Committee, and the Executive Committee. This commitment naturally encompasses the long-term financial, budgetary, and capital planning.

The University annually prepares a balanced operating budget. The budget development process is a comprehensive planning effort representative of the vision of the University to provide research, teaching, and service for the citizens of the State of

South Carolina. Under the guidance of the Board of Trustees and in balance with the strategic plan, the University establishes priorities, creates budgets and controls expenditures. The University President determines internal budget allocations under the advice of the Chancellors, Provost, Chief Operating Officer and the Chief Financial Officer. The process requires participation beginning at the department level and reaching out to all campuses as the budget is developed to reflect the investments identified to significantly enhance the academic reputation, benefit students and contribute to the economic and societal health of the State of South Carolina. The budget includes all operating budgets of the University, including the educational and general activities, auxiliary enterprises, sponsored programs and capital projects. Upon approval of the annual operating budget each June, the Board of Trustees delegates authority for budget execution to University administration. Budget monitoring is performed on an ongoing basis. The Division of Administration and Finance prepares quarterly budget updates for the Board of Trustees and comprehensive reviews at mid-year and year-end. The budget update includes comparison of the approved budget to current budget, and comparison of budget to actual performance. Supplemental schedules of revenue and expenditures are prepared for each budget unit and by campus. Monthly financial reports are provided for each fund to individual managers responsible for each account.

The Division of Administration and Finance annually prepares a comprehensive capital budget document each spring and works with a financial underwriter to determine and revise the debt capacity and impact that capital plans will have on the financial standing of the University. The University maintains a comprehensive debt management strategy and manages debt on a portfolio basis to ensure the highest attainable credit rating and the lowest cost of capital. Recent debt capacity studies indicate that current facility plans fit within the market limits for additional debt for the institution and the University continues to clearly communicate the importance of the investments and how each translates to continued enrollment and revenue growth.

In September 2014, the University broke ground on the construction of an \$80 million new home for the School of Law designed to replace a 1970's era facility. The facility will open in summer 2017. Future renovation of the old Law School facility is expected to allow expansion of the undergraduate programs to meet the requirements of an increased student enrollment. Following years of planning and approvals, in the 2016 fiscal year, construction has begun on a new Student Health Center. Planning and implementation of both the Housing Master Plan and Athletics Master Plan continues with increased emphasis on public-private partnerships. In an effort to think ahead and plan for the future needs of facilities and facilities maintenance to support the growing academic mission of the University, the Division of Administration and Finance annually updates the University's Five-Year Facilities Plan. Upon approval by the President and Board of Trustees, this document becomes the action plan for facilities projects.

Within the strategic plan, the financing plans include allocating existing resources and focusing existing operations toward achieving many of the objectives. Other plans require new public and private sector resources to become fully implemented.

University resources are committed mainly to adding to the hiring and retention of faculty while maintaining and improving the physical plant and technology infrastructure required to produce desired mission-oriented outcomes.

### **Highlights from 2015-2016**

Total student headcount enrollment across the system increased to 49,449 in fall 2015, an all-time high and an increase of more than 1200 students over the prior year. Critical student metrics including six year graduation rate, retention rate of first-time full-time freshmen and average SAT score have increased and are targeted for improvement to ensure the quality of a USC education. The University Provost's Office developed and maintains a comprehensive set of dashboard metrics designed to enhance academic quality. This dashboard enables the University to document and monitor progress, compare data with other institutions, set future targets, develop strategies to meet targets and detail the resource needs to support the strategies.

South Carolinians comprise approximately 68 percent of USC System enrollment, and their number of resident students has increased in the past 10 years. Conversely, South Carolinians' access to USC is never shortchanged by the admission of out-of-state students. In practical terms, the average out-of-state student pays nearly three times as much in tuition at the USC Columbia campus as do in-state students. In addition, out-of-state students pay two-and-a-half times the amount in-state students pay in fees for bond indebtedness, which is used to construct and renovate campus facilities.

Like many higher education institutions across the United States, the University relies on tuition as the primary source of funding. Both the regulatory and market environments will not tolerate future large tuition increases as a mechanism for funding the core mission. The University must gain access to new funding streams while enhancing existing revenues to more capably support the core mission. The President's Palmetto College initiative is the best opportunity for the comprehensive and two-year regional campuses to collaborate with each other and Columbia to devise the strategies and develop the tools to open new markets and new revenue streams for all the campuses. Cost reductions and cost containment are the focus of the General Assembly and the Board of Trustees.

The University of South Carolina is investing in the information technology infrastructure with the implementation of OneCarolina across the Student Affairs, Human Resources and Finance Divisions. In the prior four fiscal years Admissions, Financial Aid, the Registrar, the Bursar and Finance met critical "go-live" dates in the conversion of the legacy student and finance systems. The Finance system moved to the live environment on July 1, 2015. The University weathered a difficult transition including significant reconfiguration and retraining, but successfully closed the books for June 30, 2016. In Payroll and Human Resources offices, we continue to work with outdated systems and processes. Conversion of these systems will begin following stabilization of the Finance modules and assessment of the implementation methodology and budget. The periods of implementation and stabilization remain critical for developing

tools and reports that provide students with a user friendly interface to the University and provide the administration with vital data to manage the University.

Within the Division of Administration and Finance, the focus remains on service and technical excellence to support the academic enterprise. The Division upholds the Carolinian Creed as the guiding principles with teamwork, knowledge, and expertise forming the framework for service. The leadership team understands these concepts, and the long term mission is to infuse all levels of Finance management and staff with these principles and framework. The staff has the responsibility to work those concepts into daily activities and practices.

### **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 the University of South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the fifth consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report in a timely manner was made possible with the support of the University President and the Board of Trustees. The concerted efforts of professional staff in the Controller's Office and other University financial staff brought the report to conclusion. We appreciate the coordinated efforts of the University community, with special assistance from the Office of Institutional Assessment, Student Affairs, University Athletics, and University Communications. We wish to thank the Board of Trustees and the President for their continued commitment to the fiscal management of the University.

Sincerely,



Leslie Brunelli  
Vice President for Finance &  
Chief Financial Officer

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Government Finance Officers Association

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

Presented to

**University of South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

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# UNIVERSITY OF SOUTH CAROLINA

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16th Judicial Circuit  
Attorney



**Paula Harper-Bethea**  
President, USC Alumni Association  
Businesswoman



**C. Dorn Smith, III**  
3rd Judicial Circuit  
Physician



**J. Egerton Burroughs**  
15th Judicial Circuit  
Real Estate Developer



**Thad H. Westbrook**  
11th Judicial Circuit  
Attorney



**Mark W. Buyck, Jr.**  
Governor's Designee  
Attorney



**Mack I. Whittle, Jr.**  
13th Judicial Circuit  
Retired Bank President



**Thomas C. Cofield**  
Governor's Appointee  
Attorney



**Charles H. Williams**  
1st Judicial Circuit  
Attorney



**A. C. "Bubba" Fennell, III**  
8th Judicial Circuit  
Retired CPA



**Molly M. Spearman**  
State Superintendent of Education



**C. Edward Floyd**  
12th Judicial Circuit  
Surgeon



**Amy E. Stone**  
Secretary



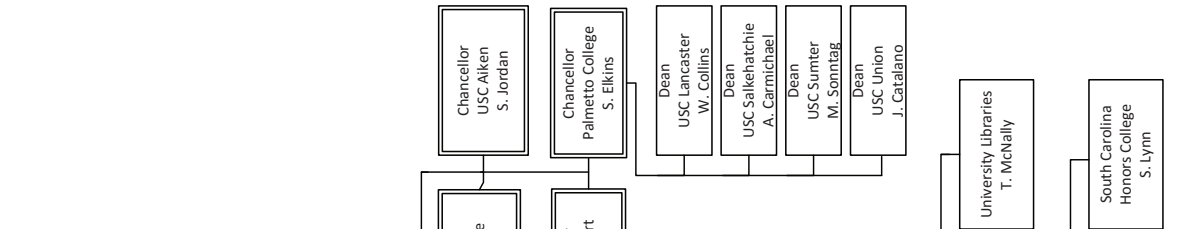
**William C. Hubbard**  
5th Judicial Circuit  
Attorney



**Nikki R. Haley**  
Governor of South Carolina



University of Board of Trustees



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Helen Zeigler	Associate Vice President for Business Affairs

As of 6/30/2016



## Financial Section



## Independent Auditor's Report

The Board of Trustees  
University of South Carolina  
Columbia, South Carolina

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of South Carolina (the University), a component unit of the State of South Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Carolina Research Foundation; the University of South Carolina School of Medicine Educational Trust; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the USC Upstate Foundation; the USC Upstate Capital Development Foundation; and the Educational Foundation of the University of South Carolina - Lancaster, which represent approximately 75 percent, 93 percent, and 94 percent, respectively, of the assets, net position/assets, and revenues of the University's aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of South Carolina School of Medicine Educational Trust; the Beaufort-Jasper Higher Education Commission; the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the USC Upstate Foundation; the USC Upstate Capital Development Foundation; and the Educational Foundation of the University of South Carolina - Lancaster were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, 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 the University as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability, and the Schedule of the University's Contributions, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

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, Columbia Campus Athletics Department Schedule of Funds Available for Debt Service, and Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Columbia Campus Athletics Department Schedule of Funds Available for Debt Service is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Columbia Campus Athletics Department Schedule of Funds Available for Debt Service is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
October 25, 2016

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

Management's Discussion and Analysis provides an overview and analysis of the University of South Carolina's (the University) financial activities for the fiscal year ended June 30, 2016, with comparative information for the fiscal year ended June 30, 2015. This information should be read in conjunction with the financial statements and accompanying footnotes that follow this section. Condensed fiscal year 2016 and 2015 operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. In addition, this discussion will focus on operations and financial position of the primary institution, the University. This discussion will not include the discretely presented component units, the South Carolina Research Foundation, the University of South Carolina School of Medicine Educational Trust, the Beaufort-Jasper Higher Education Commission, the University of South Carolina Development Foundation, Educational Foundation, Business Partnership Foundation, Alumni Association, the Upstate Foundation, the Upstate Capital Development Foundation, and the Educational Foundation of the University of South Carolina - Lancaster.

This report includes a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Codification Sections 2100-2900, *Financial Reporting*, and Co5, *Colleges and Universities*. The financial statements presented focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The University's net position is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

**STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, liabilities, deferred outflows/inflows, and net position of the University as of the end of the fiscal year. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the University. The Statement of Net Position presents end-of-year data concerning the following:

- Assets - Property that we own and what we are owed by others.
- Deferred Outflows of Resources – Consumption of net position that is applicable to a future reporting period.
- Liabilities - What we owe to others and have collected from others before we have provided the service.
- Deferred Inflows of Resources - Acquisition of net position that is applicable to a future reporting period.
- Net Position - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

The Statement of Net Position 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.



**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

From the data presented, readers of the Statement of Net Position 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 Position provides a picture of the net position and its availability for expenditure by the institution. Net position is divided into the following three major categories:

- Net investment in capital assets - Provides the institution's equity in property, plant, and equipment owned by the institution.
- Restricted net position -
  - a. Nonexpendable restricted net position consists solely of the University's permanent endowment funds and is only available for investment purposes.
  - b. Expendable restricted net position is 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.
- Unrestricted net position – Represents resources available to the institution for any lawful purpose of the institution.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

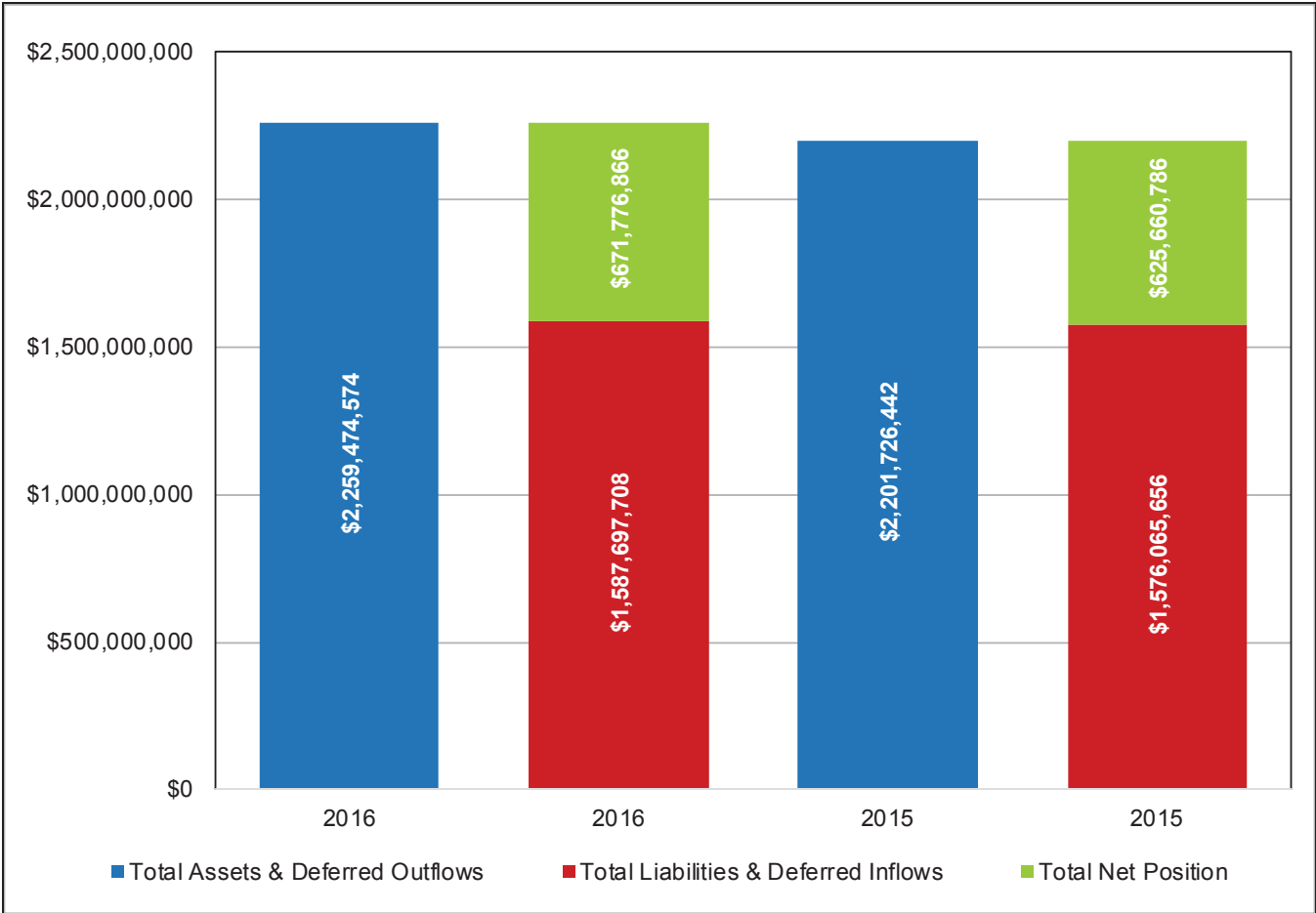
**Summary of Net Position**

	2016	2015	Increase (Decrease)	Percent Change
<b>ASSETS</b>				
Current assets	\$ 721,032,902	\$ 696,436,270	\$ 24,596,632	3.53%
Capital assets, net	1,355,112,682	1,320,468,300	34,644,382	2.62%
Other noncurrent assets	114,689,420	115,745,252	(1,055,832)	-0.91%
Total assets	<u>2,190,835,004</u>	<u>2,132,649,822</u>	<u>58,185,182</u>	2.73%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on debt refunding	4,967,133	6,306,226	(1,339,093)	-21.23%
Deferred outflows related to net pension liability	63,672,437	62,770,394	902,043	1.44%
Total deferred outflows of resources	<u>68,639,570</u>	<u>69,076,620</u>	<u>(437,050)</u>	-0.63%
<b>LIABILITIES</b>				
Current liabilities	166,069,725	142,028,007	24,041,718	16.93%
Noncurrent liabilities	1,418,492,320	1,373,555,518	44,936,802	3.27%
Total liabilities	<u>1,584,562,045</u>	<u>1,515,583,525</u>	<u>68,978,520</u>	4.55%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to net pension liability	3,135,663	60,482,131	(57,346,468)	-94.82%
<b>NET POSITION</b>				
Net investment in capital assets	757,731,120	747,326,595	10,404,525	1.39%
Restricted - nonexpendable	82,788,474	82,076,853	711,621	0.87%
Restricted - expendable	140,035,905	129,704,175	10,331,730	7.97%
Unrestricted	(308,778,633)	(333,446,837)	24,668,204	-7.40%
<b>TOTAL NET POSITION</b>	<u>\$ 671,776,866</u>	<u>\$ 625,660,786</u>	<u>\$ 46,116,080</u>	7.37%

- Total assets of the University increased by \$58.2 million due to an increase in capital assets of \$34.6 for continued construction of the new School of Law and athletic facility projects. (See Note 4 – Capital Assets). Furthermore, during fiscal year 2016 the University implemented PeopleSoft Finance. This implementation and related business process changes enabled the University to bill for fixed price contracts based on the contractual arrangement versus cost reimbursable billing methodologies used in prior years.
- Deferred outflows of resources consist of:
  - The unamortized loss on debt refunding. See Note 1, Summary of Significant Accounting Policies, for more information.
  - The University's contributions after the measurement date and differences between the actual and expected experience in relation to the net pension liability recorded for the University's proportionate share of the State of South Carolina's SCRS and PORS net pension liability, due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 5, Pension Plans, for more information.
- The increase in total liabilities of \$69 million is attributable to a \$70.5 million increase in net pension liability. Pension investments earned 1.60% during the fiscal year resulting in negative cash flows due to investment earnings not being substantial enough to offset plan costs and benefit payments. See Note 1, Summary of Significant Accounting Policies, for more information. Also, there was an increase in unearned revenue of \$8.5 million due to efficiencies gained through the change in billing methodologies as a result of the PeopleSoft implementation. Furthermore, long term debt decreased by \$18 million due to a \$23 million decrease in bonds payable as a result of refunding and annual principal payments of bonded debt.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**



The net position of the University increased during the year by \$46.1 million. The increase is driven by the following:

- \$10.4 million increase in net investment in capital assets – Net investment in capital assets shows the difference between capital assets and the outstanding debt incurred to finance those capital assets. Not all long-term debt may be deducted from capital assets; only the debt issued to finance the University's capital assets is subtracted. Long-term debt associated with unspent bond proceeds is subtracted from the restricted capital project component of net position. Net investment in capital assets increased due to the start-up and completion of various capital projects, including several athletic facility projects, construction of the new School of Law, academic building renovations and continued upgrades to campus technology systems.
- \$10.3 million increase in expendable restricted - Expendable restricted net position represents resources that are constrained to a particular purpose by externally imposed stipulations. These constraints may be derived from the donor of the resources or from an external entity. Also, restrictions can be imposed as a result of enabling legislation. The majority of the increase in expendable restricted net position is attributed to an increase in the amount expendable for debt service due to timing of the transfer of funds needed to make debt service payments, and an increase in capital project funds due to additional capital appropriations.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

- \$24.7 million increase in unrestricted net position - Unrestricted net position results from accumulated excesses of revenue over expenses derived from University operations. The University's unrestricted current funds are derived from state appropriations, student fees, institutional revenue and auxiliary operations that are not restricted for specific purposes. Unrestricted net position includes balances from operation of education and general activities, auxiliary enterprises, quasi-endowments and unexpended plant funds. Although unrestricted net position is not subject to externally imposed stipulations, most of these resources have been committed for specific University activities including academic and research programs, capital projects and significant upgrades to the campus technology network.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts will result in operating deficits. 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 net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. 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.

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

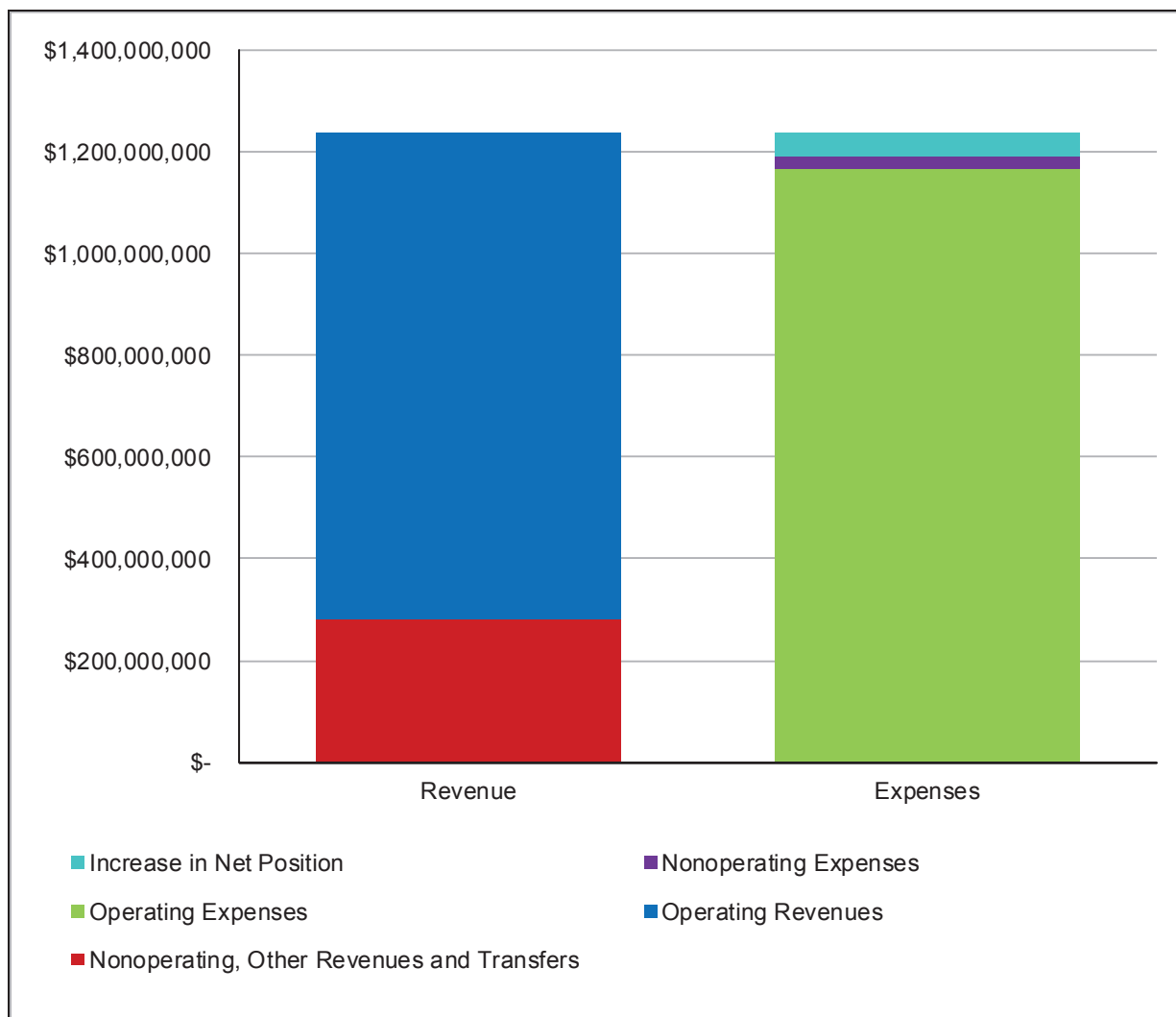
**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Summary of Revenues, Expenses and Changes in Net Position**

	2016	2015	Increase/ (Decrease)	Percent Change
<b>OPERATING REVENUES</b>				
Student tuition and fees	\$ 760,901,254	\$ 712,136,344	\$ 48,764,910	6.85%
Less: scholarship allowance	(279,132,906)	(264,078,274)	(15,054,632)	5.70%
Federal grants and contracts	136,661,493	138,913,630	(2,252,137)	-1.62%
State grants and contracts	93,078,830	87,637,878	5,440,952	6.21%
Local grants and contracts	1,364,875	1,208,080	156,795	12.98%
Nongovernmental grants and contracts	32,853,784	36,704,523	(3,850,739)	-10.49%
Sales and services of educational and other activities	32,837,349	30,901,990	1,935,359	6.26%
Sales and services of auxiliary enterprises	164,992,359	151,286,254	13,706,105	9.06%
Less: scholarship allowance	(3,849,239)	(4,593,694)	744,455	-16.21%
Interest collected on student loans	295,151	305,201	(10,050)	-3.29%
Other fees	9,777,698	9,850,306	(72,608)	-0.74%
Other operating revenues	5,239,593	3,979,707	1,259,886	31.66%
Total operating revenues	<u>955,020,241</u>	<u>904,251,945</u>	<u>50,768,296</u>	5.61%
<b>NONOPERATING REVENUES</b>				
State appropriations	149,059,413	147,511,627	1,547,786	1.05%
Federal grants	52,292,875	52,451,941	(159,066)	-0.30%
Gifts	42,159,690	45,548,469	(3,388,779)	-7.44%
Investment income	3,640,446	2,629,826	1,010,620	38.43%
Endowment income	6,862,342	3,144,094	3,718,248	118.26%
Lease termination agreement	-	31,500,000	(31,500,000)	-100.00%
Total nonoperating revenues	<u>254,014,766</u>	<u>282,785,957</u>	<u>(28,771,191)</u>	-10.17%
Total revenues	<u>1,209,035,007</u>	<u>1,187,037,902</u>	<u>21,997,105</u>	1.85%
<b>OPERATING EXPENSES</b>				
Salaries and wages	579,493,826	558,655,304	20,838,522	3.73%
Fringe benefits	191,428,138	177,884,858	13,543,280	7.61%
Services and supplies	278,640,688	269,854,851	8,785,837	3.26%
Utilities	34,526,183	34,936,609	(410,426)	-1.17%
Scholarships and fellowships	21,756,291	17,951,730	3,804,561	21.19%
Depreciation expense	60,565,961	66,353,807	(5,787,846)	-8.72%
Total operating expenses	<u>1,166,411,087</u>	<u>1,125,637,159</u>	<u>40,773,928</u>	3.62%
<b>NONOPERATING EXPENSES</b>				
Loss on disposal of capital assets	135,725	2,248,978	(2,113,253)	-93.97%
Interest on capital asset related debt	23,880,576	22,177,624	1,702,952	7.68%
Total nonoperating expenses	<u>24,016,301</u>	<u>24,426,602</u>	<u>(410,301)</u>	-1.68%
Total expenses	<u>1,190,427,388</u>	<u>1,150,063,761</u>	<u>40,363,627</u>	3.51%
Other revenues	<u>27,508,461</u>	<u>37,798,478</u>	<u>(10,290,017)</u>	-27.22%
Change in net position	<u>46,116,080</u>	<u>74,772,619</u>	<u>(28,656,539)</u>	-38.32%
Net position, beginning of year, as originally stated	625,660,786	1,254,637,101	(628,976,315)	-50.13%
Restatement	-	(703,748,934)	703,748,934	-100.00%
Net position, beginning of year, as restated	<u>625,660,786</u>	<u>550,888,167</u>	<u>74,772,619</u>	13.57%
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 671,776,866</u></u>	<u><u>\$ 625,660,786</u></u>	<u><u>\$ 46,116,080</u></u>	7.37%

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Revenues, Expenses, and Changes in Net Position**  
**For the year ended June 30, 2016**



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

- Operating revenues increased \$50.8 million due to a net \$33.7 million increase in student tuition and fees and a \$14.4 million increase in sales and services of auxiliary enterprises
  - Student tuition and fee revenue, net of the scholarship allowance, increased by \$33.7 million primarily due to a 2.90% tuition increase for USC Columbia campus and across the system campuses. Additionally, student demand for enrollment at the Columbia campus continued to increase with growth of 2.20% in full time equivalent students. For Columbia, the combined tuition and enrollment increase accounted for the majority of the fiscal year 2016 change.
  - Sales and services of auxiliary enterprises are driven by an increase in Southeastern Conference (SEC) revenues for the ESPN/SEC television network. There was also a 4.34% increase for University housing due to rate increases, and a \$2 million remediation from a contractor for work on the Founder's Park baseball stadium.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
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- State contracts increased by \$ 5.4 million due to an increase in South Carolina Education Lottery funding for student scholarships.
- Nonoperating revenues decreased by \$28.8 million despite a modest 1% increase in state appropriations. Gift revenue declined as expected in 2016 following completion in 2015 of the \$1 billion capital campaign. Most significantly, the University completed a lease termination agreement with the Department of Justice National Advocacy Center in 2015. No similar revenue was received in 2016 accounting for the total reduction.
- Operating expenses increased \$40.8 million, 3.6% over the prior year. The majority of the increase, approximately \$34.4 million, is due to the increase in personnel and fringe benefits from additional faculty and staff to serve the increased student enrollment, as well as increases in retirement contribution and employer health insurance, and a \$12.2 million adjustment to fringe benefits due to the changes related to net pension liability. Services and supplies increased \$8.8 million due to inflationary and enrollment increases, and on-going upgrades to campus technology systems. Depreciation expense decreased \$5.8 million due to the implementation of a new capital assets module and recategorization of certain assets.

**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 the following five parts.

- Operating Activities - the net cash provided by (used for) the operating activities of the institution.
- Noncapital Financing Activities - the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes.
- Capital and Related Financing Activities - the cash used for the acquisition and construction of capital and related items.
- Investing Activities - the purchases, proceeds, and interest received from investing activities.
- Reconciliation - reconciles the net cash provided by (used for) to the operating income (loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

During the year, various projects on the Columbia campus were in progress including construction of the Law School, dormitory remodels, and several projects addressing deferred maintenance. The Athletics department also had several projects in progress including Athletic Village improvements.

The University's indebtedness consists of bonds payable of \$619.2 million and notes payable of \$190,218. During the current year, \$6.2 million in General Revenue bonds were issued for the renovation of several dormitory buildings and, \$41.9 million in General Revenue Refunding bonds were issued to achieve interest savings.

For more detailed information on capital asset and debt activity please refer to Note 4 – Capital Assets and Note 9 – Bonds and Notes Payable in the Notes to the Financial Statements.



**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**ECONOMIC OUTLOOK**

The economic position of the University is loosely tied to that of the State of South Carolina (the State) as evidenced by the University's sustained strong financial performance despite significant reductions in state appropriations following the Great Recession for the period 2008 through 2012. The University system received additional recurring state funding to begin the 2017 fiscal year to support a portion of state employee pay increases, retirement contribution and health insurance increases. Additional Education and General funding was provided to all University system campuses to support academic initiatives. Total new operating funding is approximately \$8.5 million and pay and fringe benefit funding of \$5.8 million was provided.

The State finished the 2016 fiscal year on a positive note with full funding of the State's Rainy Day Fund at 5% of the prior year's General Fund Revenues and also fully funded the Capital Reserve Account at 2% of the prior year's General Fund Revenues. The State slightly missed the total increased revenue projection and surplus allocations were reduced. These did not directly impact the University. The University is a beneficiary of the eighth straight year of state surpluses, with just more than \$8.3 million in non-recurring state funds capital projects and maintenance projects in 2017. These new funds include \$5 million for a portion of the USC Columbia Honors College facility expected to cost \$15 million and various deferred maintenance projects across the system campuses. The State of South Carolina has not advanced a capital bond bill for higher education since 1999/2000, but continues to make an effort to provide some funding for physical plant needs.

The University's overall financial position remains strong. The University relies on tuition and fees to support the general operating budget and is aware of State funding support when tuition and fees are set each spring. For the 2017 year, the University of South Carolina's tuition increase was 3.25% marking the fifth year of tuition increases at or below that percentage. Tuition increases for the 2017 year are in line with the Higher Education Price Index (HEPI) but will not cover the full impact of all inflationary needs and new initiatives. Resident undergraduate tuitions for two other public institutions in the State exceed the tuition rate for the USC Columbia campus. System campus tuitions are comparable with similar institutions in the State.

Demand for enrollment and interest in the University remains strong with record numbers of applications received and a freshman class enrolled at the USC Columbia campus for Fall 2016 of more than 5,100 students. Preliminary data indicates that this entering class is also the most academically talented in the University's history with an average SAT score of 1215 and an average ACT score of 27.3.

Academic strategies include work with Academic Partnerships to provide marketing, recruiting and retention services primarily for on-line graduate programs. Five fully on-line graduate programs and a newly launched RN to BSN program have provided nearly \$5 million annually in new funds. Another strategy is a partnership with Shorelight that brings high quality international students to campus. With 2016 as year one of the seven year contract, more than 80 new students came to USC Columbia. Projections are to grow the program to more than 250 new students each year.

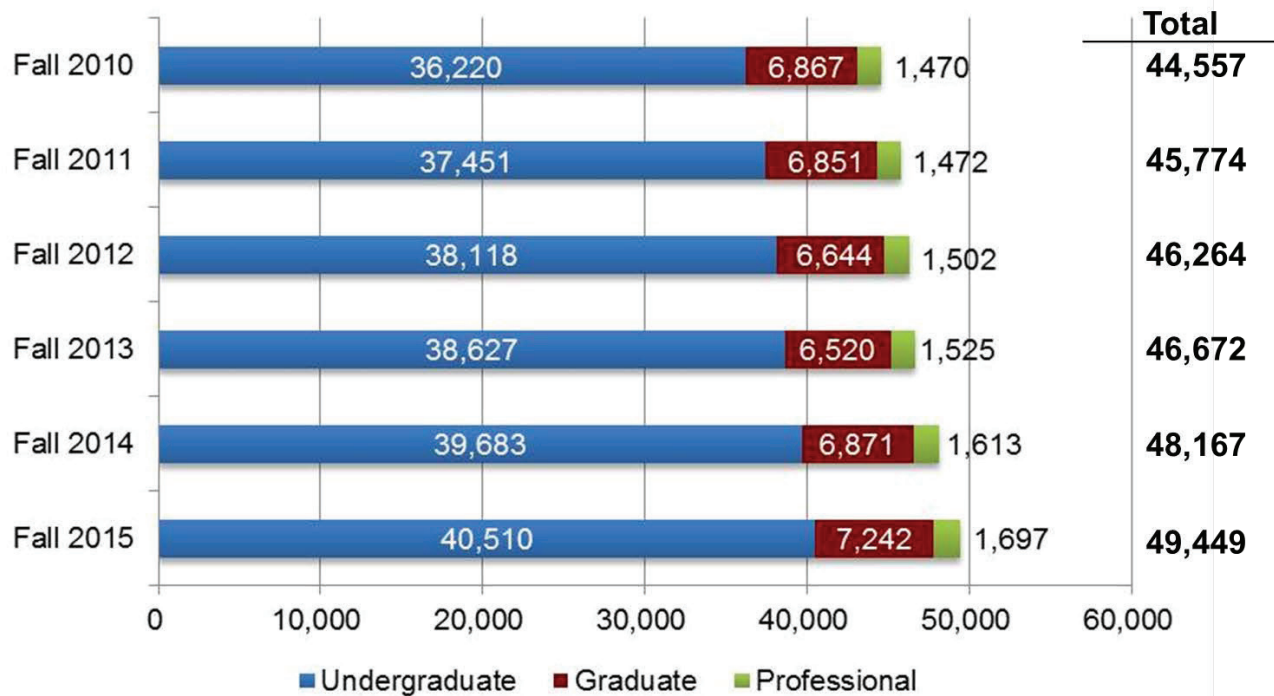
The University continues to cultivate both student quality and access through innovative programs such as the Gamecock Gateway. The Gamecock Gateway is a program in its fifth year designed as a bridge to enrollment at the University. This one-year residential program is offered by invitation only to students who begin their course work at a local technical college and have access to University programs before transferring in their second year. For the Fall 2016 semester 420 new students are enrolled in the Gamecock Gateway and 227 students from last year's Gateway class are now fully enrolled at USC Columbia. The Gamecock Guarantee program provides access to the lowest income South Carolinians and has served 993 students since its inception in 2008. The average freshman family income of program participants is \$17,174 and gift aid is more than 97%. These students retain and graduate at a higher rate than the total undergraduate population.

University of South Carolina students from the state are eligible for tuition assistance based on entrance exams, rank in class and GPA. The state funding commitment for merit scholarships remains strong with funding from the South Carolina Education Lottery. Students at the USC campuses annually receive more than \$80 million across the different scholarship programs. Additionally, funding from lottery proceeds supports technology needs at the system comprehensive and Palmetto College campuses.

**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

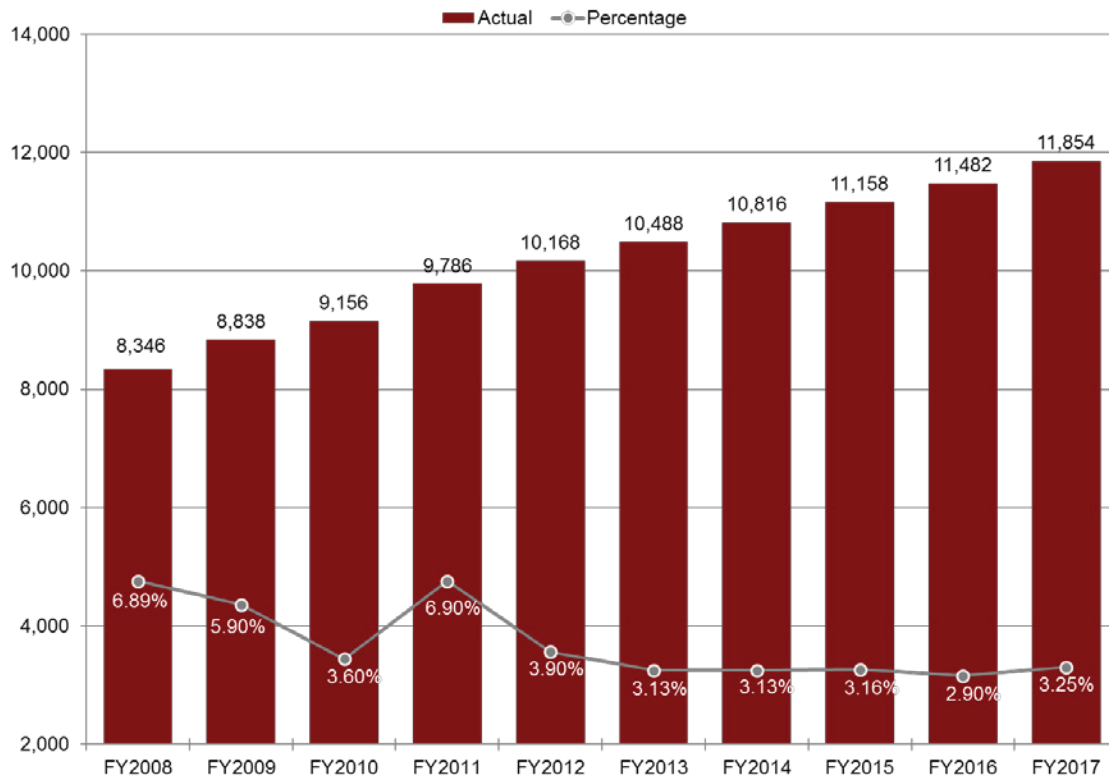
Following completion of the largest capital campaign in University history with \$1,043,265,730 collected exceeding the ambitious \$1 billion goal, fundraising moderated for the 2016 fiscal year with \$103.6 million in pledges and collections. This is the ninth consecutive year the University has raised more than \$100 million in private support. Research grant awards were \$250 million in the 2016 fiscal year, an \$11.8 million increase over the prior year. USC hospital partners with Greenville Hospital Systems, Palmetto Health Systems, and the Veterans Administration led the increases in external funding. Economic engagement efforts led to the April 2016 grand opening of the Center for Applied Innovation, where university, IBM and private sector researchers – including Fluor Corporation – will use technology for real world applications. Initial projects include developing ways to enhance and personalize tools in higher education, make aircraft more reliable and supply chains more efficient.

**USC System Headcount Enrollment**

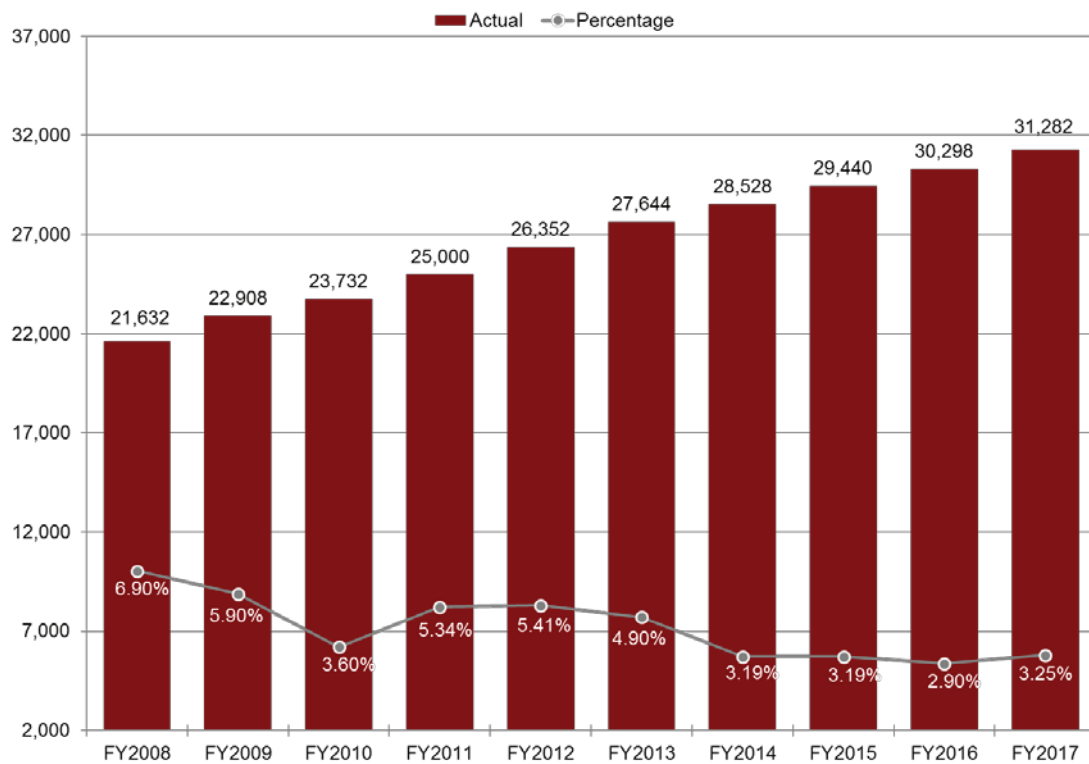


**UNIVERSITY OF SOUTH CAROLINA**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**USC Columbia Resident Undergraduate Tuition & Required Fees**



**USC Columbia Non-Resident Undergraduate Tuition & Required Fees**



**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Net Position**  
**As of June 30, 2016**

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 447,504,784
Restricted - cash and cash equivalents	188,749,428
Accounts receivable, net	70,336,693
Student loans receivable, current	7,403
Inventories	2,708,695
Prepaid items	2,431,865
Funds due from others	9,294,034
Total current assets	<u>721,032,902</u>

## Noncurrent assets:

Restricted - cash and cash equivalents	87,596,241
Investments	5,245,766
Prepaid items	2,000,000
Restricted - federal student loans receivable	17,005,927
Capital assets, net of accumulated depreciation	1,355,112,682
Other assets	2,841,486
Total noncurrent assets	<u>1,469,802,102</u>
Total assets	<u>2,190,835,004</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred loss on debt refunding	4,967,133
Deferred outflows related to net pension liability	63,672,437
Total deferred outflows of resources	<u>68,639,570</u>

**LIABILITIES**

## Current liabilities:

Accounts payable	22,889,978
Retainage payable - current portion	2,983,080
Accrued interest payable	4,797,253
Accrued payroll and related liabilities	18,586,918
Accrued compensated absences - current portion	21,927,398
Capital lease obligations - current portion	4,728,050
Bonds and notes payable - current portion	25,698,356
Unearned revenues	55,006,932
Deposits	2,680,354
Other liabilities	592,327
Funds held for others	6,179,079
Total current liabilities	<u>166,069,725</u>

## Noncurrent liabilities:

Accrued compensated absences	13,439,373
Federal loan liability	17,090,039
Capital lease obligations	10,095,695
Bonds and notes payable	593,722,770
Net pension liability	784,144,443
Total noncurrent liabilities	<u>1,418,492,320</u>
Total liabilities	<u>1,584,562,045</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to net pension liability	<u>3,135,663</u>
---	------------------

**NET POSITION**

Net investment in capital assets	757,731,120
Restricted for:	
Nonexpendable	82,788,474
Expendable	
Scholarships, research, instruction, and other	38,007,855
Loans	2,810,835
Capital projects	91,242,151
Debt service	7,975,064
Unrestricted	<u>(308,778,633)</u>
Total net position	<u><u>\$ 671,776,866</u></u>

**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2016**

**OPERATING REVENUES**

Student tuition and fees (\$33,628,652 pledged for bonds)	\$ 760,901,254
Less: scholarship allowance	(279,132,906)
Federal grants and contracts	136,661,493
State grants and contracts	93,078,830
Local grants and contracts	1,364,875
Nongovernmental grants and contracts	32,853,784
Sales and services of educational and other activities	32,837,349
Sales and services of auxiliary enterprises (\$25,945,074 pledged for bonds)	164,992,359
Less: scholarship allowance	(3,849,239)
Interest collected on student loans	295,151
Other fees (\$3,515,850 pledged for bonds)	9,777,698
Other operating revenues	<u>5,239,593</u>
Total operating revenues	<u>955,020,241</u>

**OPERATING EXPENSES**

Salaries and wages	579,493,826
Fringe benefits	191,428,138
Services and supplies	278,640,688
Utilities	34,526,183
Scholarships and fellowships	21,756,291
Depreciation expense	<u>60,565,961</u>
Total operating expenses	<u>1,166,411,087</u>
Operating loss	<u>(211,390,846)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	149,059,413
Federal grants	52,292,875
Gifts	42,159,690
Investment income	3,640,446
Endowment income	6,862,342
Loss on disposal of capital assets	(135,725)
Interest on capital asset related debt	<u>(23,880,576)</u>
Net nonoperating revenues	<u>229,998,465</u>
Income before other revenues	18,607,619

State capital appropriations	23,680,584
Capital grants and gifts	3,466,385
Additions to permanent endowments	<u>361,492</u>
Change in net position	46,116,080

**NET POSITION, BEGINNING OF YEAR** 625,660,786

**NET POSITION, END OF YEAR** \$ 671,776,866

**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Cash Flows**  
**For the year ended June 30, 2016**

**OPERATING ACTIVITIES**

Student tuition and fees	\$ 478,110,088
Research grants and contracts	253,958,960
Sales and services of educational and other activities	32,764,142
Sales and services of auxiliary enterprises	161,301,357
Student loans disbursed	(2,090,905)
Student loans collected	2,900,795
Interest collected on student loans	295,151
Inflows from federal direct student loans	299,785,579
Outflows from federal direct student loans	(304,711,167)
Payments to employees for services	(578,156,825)
Payments to employees for benefits	(177,517,934)
Payments to suppliers	(300,826,995)
Payments to students for scholarships and fellowships	(21,756,291)
Other receipts	13,436,850
Inflows from agency funds	62,065,649
Outflows from agency funds	(58,296,161)
Net cash used by operating activities	<u>(138,737,707)</u>

**NONCAPITAL FINANCING ACTIVITIES**

State appropriations	149,059,413
Federal grants	52,292,875
Gifts	44,822,855
Additions to permanent endowments	986,455
Federal loan liability	(293,016)
Net cash provided by noncapital financing activities	<u>246,868,582</u>

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from capital debt	55,406,332
State capital appropriations	23,763,279
Capital grants and gifts	2,172,455
Purchase and construction of capital assets	(97,324,639)
Principal paid on capital asset related debt	(72,136,519)
Interest paid on capital asset related debt	(28,258,732)
Net cash used by capital and related financing activities	<u>(116,377,824)</u>

**INVESTING ACTIVITIES**

Investment income	3,961,547
Endowment income	6,463,782
Net cash provided by investing activities	<u>10,425,329</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,178,380</u>

**Cash and cash equivalents, beginning of year**721,672,073**Cash and cash equivalents, end of year**\$ 723,850,453**Reconciliation of cash and cash equivalents**

Cash and cash equivalents	\$ 447,504,784
Restricted - cash and cash equivalents, current	188,749,428
Restricted - cash and cash equivalents, noncurrent	87,596,241
	<u><u>\$ 723,850,453</u></u>

**UNIVERSITY OF SOUTH CAROLINA**  
**Statement of Cash Flows**  
**For the year ended June 30, 2016**

**Reconciliation of net operating loss to net cash  
used by operating activities**

Operating loss	\$ (211,390,846)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	60,565,961
Accrued benefits related to net pension liability	12,230,461
Student loans cancelled	216,372
Change in current assets and liabilities	
Accounts receivable, net	(24,231,761)
Student loans receivable	809,891
Inventories	203,976
Prepaid items	3,241,377
Accounts payable	8,678,048
Retainage payable - noncapital	105
Accrued payroll	609,362
Accrued benefits	1,679,743
Accrued compensated absences	772,613
Unearned revenues	8,613,068
Deposits	380,369
Other liabilities	38,721
Funds held for and due from others	(1,155,167)
Net cash used by operating activities	<u><u>\$ (138,737,707)</u></u>

**NONCASH TRANSACTIONS**

Gifts of capital assets reducing proceeds of capital grants and gifts	<u><u>\$ 1,694,770</u></u>
Net change in capital grants and gifts receivables and unearned revenues	<u><u>\$ 400,840</u></u>
Loss on disposal of capital assets, net	<u><u>\$ (135,725)</u></u>
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	<u><u>\$ 48,431</u></u>
Change in value of investments recognized in endowment and investment income	<u><u>\$ 350,128</u></u>



**UNIVERSITY OF SOUTH CAROLINA**  
**Governmental Discretely Presented Component Units**  
**Statements of Net Position**  
**June 30, 2016**

	South Carolina Research Foundation	School of Medicine Educational Trust	Beaufort- Jasper Higher Education Commission	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 239,007	\$ 20,335,110	\$ 6,505,785	\$ 27,079,902
Restricted cash and cash equivalents	90,301,520	354,194	500,000	91,155,714
Investments	-	9,866,995	1,444,070	11,311,065
Patient and other accounts receivable, net	9,810,634	13,311,916	294,221	23,416,771
Prepaid items and deposits	52,716	-	52,797	105,513
Total current assets	<u>100,403,877</u>	<u>43,868,215</u>	<u>8,796,873</u>	<u>153,068,965</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation	<u>134,275</u>	<u>10,596,148</u>	<u>46,049,886</u>	<u>56,780,309</u>
Total noncurrent assets	<u>134,275</u>	<u>10,596,148</u>	<u>46,049,886</u>	<u>56,780,309</u>
Total assets	<u>100,538,152</u>	<u>54,464,363</u>	<u>54,846,759</u>	<u>209,849,274</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on debt refunding	<u>-</u>	<u>-</u>	<u>739,585</u>	<u>739,585</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	90,416,332	7,127,159	129,667	97,673,158
Retainage payable	-	-	224,458	224,458
Accrued compensated absences	-	1,198,615	21,000	1,219,615
Unearned revenue	9,532,473	-	-	9,532,473
Current portion of long term debt	<u>-</u>	<u>4,464,975</u>	<u>2,032,773</u>	<u>6,497,748</u>
Total current liabilities	<u>99,948,805</u>	<u>12,790,749</u>	<u>2,407,898</u>	<u>115,147,452</u>
Noncurrent liabilities				
Noncurrent portion of long term debt	<u>-</u>	<u>374,938</u>	<u>38,056,354</u>	<u>38,431,292</u>
Total noncurrent liabilities	<u>-</u>	<u>374,938</u>	<u>38,056,354</u>	<u>38,431,292</u>
Total liabilities	<u>99,948,805</u>	<u>13,165,687</u>	<u>40,464,252</u>	<u>153,578,744</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	7,262,317	6,475,886	13,738,203
Restricted for capital projects and debt service	-	-	500,000	500,000
Unrestricted	<u>589,347</u>	<u>34,036,359</u>	<u>8,146,206</u>	<u>42,771,912</u>
Total net position	<u>\$ 589,347</u>	<u>\$ 41,298,676</u>	<u>\$ 15,122,092</u>	<u>\$ 57,010,115</u>

**UNIVERSITY OF SOUTH CAROLINA**  
**Governmental Discretely Presented Component Units**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2016**

	South Carolina Research Foundation	School of Medicine Educational Trust	Beaufort- Jasper Higher Education Commission	Total
<b>REVENUES</b>				
Operating revenues				
Contracts and grants	\$ 160,081,578	\$ 33,627,244	\$ -	\$ 193,708,822
Patient charges, net of allowances	-	35,731,049	-	35,731,049
Management fees and recoveries	3,731,976	-	-	3,731,976
Royalty income	184,454	-	-	184,454
Realized investment income, net	-	507,623	-	507,623
Housing	-	-	5,068,672	5,068,672
Dining	-	-	2,460,756	2,460,756
Other operating revenues	-	3,743,476	86,000	3,829,476
Total operating revenues	<u>163,998,008</u>	<u>73,609,392</u>	<u>7,615,428</u>	<u>245,222,828</u>
<b>EXPENSES</b>				
Operating expenses				
Salaries and administrative expenses	994,907	51,150,512	739,096	52,884,515
Services and supplies	1,145,381	22,313,663	3,536,207	26,995,251
Research and development direct costs	161,987,593	-	-	161,987,593
Depreciation and amortization	-	1,129,618	1,359,894	2,489,512
Total operating expenses	<u>164,127,881</u>	<u>74,593,793</u>	<u>5,635,197</u>	<u>244,356,871</u>
Operating income (loss)	(129,873)	(984,401)	1,980,231	865,957
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Private gifts and donations	(72,526)	-	(1,139,920)	(1,212,446)
Interest and investment income	3,288	-	10,276	13,564
Unrealized gain (loss) on investment holdings, net	-	(495,436)	-	(495,436)
County appropriations	-	-	2,000,000	2,000,000
Interest on capital asset debt	-	-	(597,963)	(597,963)
Proceeds from litigation settlement	-	-	405,836	405,836
Net nonoperating revenues (expenses)	<u>(69,238)</u>	<u>(495,436)</u>	<u>678,229</u>	<u>113,555</u>
Change in net position	(199,111)	(1,479,837)	2,658,460	979,512
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>788,458</u>	<u>42,778,513</u>	<u>12,463,632</u>	<u>56,030,603</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 589,347</u>	<u>\$ 41,298,676</u>	<u>\$ 15,122,092</u>	<u>\$ 57,010,115</u>

**UNIVERSITY OF SOUTH CAROLINA**  
**Non-Governmental Discretely Presented Component Units**  
**Statements of Financial Position**  
**June 30, 2016**

	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	USC Upstate Foundation	USC Upstate Capital Development Foundation	Educational Foundation of the University of South Carolina Lancaster	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 7,677,045	\$ 8,706,255	\$ 1,709,794	\$ 2,838,568	\$ 633,152	\$ 51,861	\$ 116,244	\$ 21,732,919
Investments	32,061,488	340,103,185	52,555,030	6,177,201	8,869,195	259,480	7,826,455	447,852,034
Real estate held for investment	30,235,507	1,701,527	-	-	-	-	-	31,937,034
Assets held in trust	-	63,756,195	50,134,698	-	242,927	-	-	114,133,820
Accounts receivable, net	1,287,945	10,000,280	803,186	2,320,224	-	-	-	14,411,635
Contributions receivable, net	1,795,324	44,824,519	2,530,748	-	1,979,369	-	154,716	51,284,676
Prepaid expenses	29,583	-	14,950	229,444	-	-	-	273,977
Other assets	898,699	251	51,645	41,355	-	-	-	991,950
Fixed assets, net of depreciation	134,128,065	-	-	22,496,471	111,425	-	7,948,953	164,684,914
Total assets	<b>\$ 208,113,656</b>	<b>\$ 469,092,212</b>	<b>\$ 107,800,051</b>	<b>\$ 34,103,263</b>	<b>\$ 11,836,068</b>	<b>\$ 311,341</b>	<b>\$ 16,046,368</b>	<b>\$ 847,302,959</b>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses	\$ 5,937,698	\$ 5,302,480	\$ 473,266	\$ 98,393	\$ -	\$ -	\$ 4,994	\$ 11,816,831
Lines of credit	41,444,182	-	-	-	-	-	-	41,444,182
Deferred revenues	1,076,995	-	15,225,274	327,080	-	-	-	16,629,349
Bonds and notes payable	117,444,972	24,874,983	-	20,933,004	2,000,000	227,107	4,039,611	169,519,677
Interest rate swap	9,750,627	-	-	-	-	-	-	9,750,627
Other liabilities	1,202,373	7,876,456	77,795	91,573	104,723	-	-	9,352,920
Total liabilities	176,856,847	38,053,919	15,776,335	21,450,050	2,104,723	227,107	4,044,605	258,513,586
<b>NET ASSETS</b>								
Unrestricted	3,212,851	64,618,244	14,374,206	7,935,481	99,074	84,234	4,835,679	95,159,779
Temporarily restricted	24,990,244	141,213,469	49,203,065	4,717,732	3,269,345	-	1,756,017	225,149,872
Permanently restricted	3,365,928	225,206,580	28,446,445	-	6,362,926	-	5,410,067	268,791,946
Total Foundation net assets	31,569,033	431,038,293	92,023,716	12,653,213	9,731,345	84,234	12,001,763	589,101,597
Noncontrolling interest	(312,224)	-	-	-	-	-	-	(312,224)
Total net assets	31,256,809	431,038,293	92,023,716	12,653,213	9,731,345	84,234	12,001,763	588,789,373
Total liabilities and net assets	<b>\$ 208,113,656</b>	<b>\$ 469,092,212</b>	<b>\$ 107,800,051</b>	<b>\$ 34,103,263</b>	<b>\$ 11,836,068</b>	<b>\$ 311,341</b>	<b>\$ 16,046,368</b>	<b>\$ 847,302,959</b>

See Notes to the Financial Statements

**UNIVERSITY OF SOUTH CAROLINA**  
**Non-Governmental Discretely Presented Component Units**  
**Statements of Activities**  
**For the year ended June 30, 2016**

	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	USC Upstate Foundation	USC Upstate Capital Development Foundation	Educational Foundation of the University of South Carolina Lancaster	Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>								
Revenues, gains and other support								
Contributions	\$ 3,402	\$ 23,405,047	\$ 956,859	\$ 1,869,208	\$ 278,806	\$ 50,190	\$ 451,337	\$ 27,014,849
Investment returns (losses)	(1,061,176)	4,074,786	126,495	116,458	145,869	175,182	(25,923)	3,551,691
Net realized and unrealized gains (losses)	-	(7,804,071)	-	(249,424)	(449,600)	(363,842)	-	(8,866,937)
Earned income	10,708,502	-	2,156,881	214,157	900	494,715	-	13,575,155
Other	1,018,427	1,358,082	-	2,398,936	98,010	-	202,609	5,076,064
Gain (loss) on disposal of assets	-	-	-	-	-	(5,452,188)	-	(5,452,188)
Net assets released from restrictions:								
Transfers	-	-	1,877,178	-	-	-	109,512	1,986,690
Reclassification based on law change	-	-	(62,251)	-	-	-	-	(62,251)
Satisfaction of program restrictions	1,429,059	5,911,581	16,940,393	2,818,378	1,047,900	-	61,770	28,209,081
Expiration of time restrictions	-	2,665,981	-	-	-	-	-	2,665,981
Total revenues, gains and other support	12,098,214	29,611,406	21,995,555	7,167,713	1,121,885	(5,095,943)	799,305	67,698,135
<b>Expenses</b>								
Scholarships and student assistance	-	10,321,727	1,263,542	305,250	143,862	-	179,889	12,214,270
Program services	8,662,430	17,387,178	20,009,687	2,811,700	306,651	-	1,408,051	50,585,697
Supporting services	4,552,226	4,476,401	327,097	1,505,839	1,099,017	-	127,150	12,087,730
Other expenses	-	-	-	2,762,857	166,067	1,039,529	-	3,968,453
Total expenses	13,214,656	32,185,306	21,600,326	7,385,646	1,715,597	1,039,529	1,715,090	78,856,150
Excess revenues over (under) expenses	(1,116,442)	(2,573,900)	395,229	(217,933)	(593,712)	(6,135,472)	(915,785)	(11,158,015)
Interest rate swap fair value adjustment	(4,773,490)	-	-	-	-	(485,251)	-	(5,258,741)
Change in unrestricted net assets	\$ (5,889,932)	\$ (2,573,900)	\$ 395,229	\$ (217,933)	\$ (593,712)	\$ (6,620,723)	\$ (915,785)	\$ (16,416,756)

**UNIVERSITY OF SOUTH CAROLINA**  
**Non-Governmental Discretely Presented Component Units**  
**Statements of Activities**  
**For the year ended June 30, 2016**

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	USC Upstate Foundation	USC Upstate Capital Development Foundation	Educational Foundation of the University of South Carolina Lancaster	Total
Contributions	\$ 1,451,181	\$ 3,677,814	\$ 45,978,186	\$ 2,293,165	\$ 900,174	\$ -	\$ (129,572)	\$ 54,170,948
Investment returns (losses)	-	1,753,774	(1,457,303)	-	-	-	(207,349)	89,122
Net realized and unrealized gains (losses)	138,910	(3,882,927)	-	-	-	-	-	(3,744,017)
Other	1,200	-	-	225,637	146,721	-	-	373,558
Net assets released from restrictions:								
Transfers	-	-	(2,021,119)	-	-	-	-	(2,241,483)
Reclassification based on law change	-	-	62,251	-	-	-	-	62,251
Satisfaction of program restrictions	(1,429,059)	(8,825,341)	(16,940,393)	(2,818,378)	(1,047,900)	-	(61,770)	(31,122,841)
Expiration of time restrictions	-	(3,479,665)	-	-	-	-	-	(3,479,665)
Change in temporarily restricted net assets	162,232	(10,756,345)	25,621,622	(299,576)	(1,005)	-	(619,055)	14,107,873

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	-	8,106,644	521,631	-	292,306	-	124,497	9,045,078
Net assets released from restrictions:								
Transfers	-	-	143,941	-	-	-	110,852	254,793
Satisfaction of program restrictions	-	2,913,760	-	-	-	-	-	2,913,760
Expiration of time restrictions	-	813,684	-	-	-	-	-	813,684
Change in permanently restricted net assets	-	11,834,088	665,572	-	292,306	-	235,349	13,027,315
Change in net assets	(5,727,700)	(1,496,157)	26,682,423	(517,509)	(302,411)	(6,620,723)	(1,299,491)	10,718,432
Net change attributable to noncontrolling interest	(89,726)	-	-	-	-	-	-	(89,726)

**NET ASSETS, BEGINNING OF YEAR**

	37,386,459	432,534,450	65,341,293	13,170,722	10,033,756	6,704,957	13,301,254	578,472,891
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**NET ASSETS, END OF YEAR**

	<b>\$ 31,569,033</b>	<b>\$ 431,038,293</b>	<b>\$ 92,023,716</b>	<b>\$ 12,653,213</b>	<b>\$ 9,731,345</b>	<b>\$ 84,234</b>	<b>\$ 12,001,763</b>	<b>\$ 589,101,597</b>
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**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

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

**Nature of Operations** - The University of South Carolina (the University) is a State-supported, coeducational institution of higher education. The University's primary purpose is to provide undergraduate, graduate, and professional education to students and conduct research and other activities that advance fundamental knowledge.

**Reporting Entity** - The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, 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 classifies reporting requirements for those organizations. Based on these criteria, the financial statements include the University as the primary government and other related entities as discretely presented component units. The University's discretely presented component units are discussed in Note 11.

The University is composed of the Columbia campus, including the Columbia School of Medicine, the Greenville School of Medicine, and seven system campuses. The University is a component unit of the State of South Carolina (the State). As a discretely presented component unit of the State, the University is financially accountable to and fiscally dependent on the State. Its Board of Trustees is appointed by the Governor and/or the General Assembly of the State.

**Financial Statements** - The financial statement presentation for the University meets the requirements of GASB Codification Sections 2100-2900, *Financial Reporting*, and Co5, *Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net position, revenues, expenses and changes in net position and cash flows.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include separation of accrued compensated absences between current and noncurrent and depreciation expense. Actual results could differ from those estimates.

**Basis of Accounting** - For financial reporting purposes, the University is considered to be engaged only in business-type activities. Accordingly, the University's financial statements have been 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. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The University participates in the State's internal cash management pool, administered by the State Treasurer. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. For credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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 reports its deposits in the general deposit account at cost and its special deposit accounts at fair value. Interest earned, including interest income, realized gains (losses) and unrealized gains (losses), by the University's special deposit accounts is posted at the end of each month based on the percentage of the University's accumulated daily income receivable to the total income receivable of 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.

**Investments** - The University accounts for its investments at fair value in accordance with GASB Codification Section 150, *Investments*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment or endowment income in the statement of revenues, expenses and changes in net position.

**Accounts Receivable** - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal, State, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories** - Inventories are carried at the lower of cost or market as determined by various methods.

**Noncurrent Cash and Investments** - Noncurrent cash and investments primarily consist of permanently endowed funds, debt service reserve funds and federal student loan funds. These funds are externally restricted and are classified as restricted noncurrent assets in the statement of net position.

**Prepaid Items** - Expenditures for services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of maintenance, license and service agreements, and travel reservations and deposits.

**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. 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 two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 60 years for buildings and improvements and land improvements; 2 to 25 years for machinery, equipment, and vehicles; and 3 to 10 years for intangibles. A full month of depreciation is taken the month the asset is placed in service and no depreciation is taken in the month of disposition.

The University capitalizes as a component of construction in progress interest cost in excess of earnings on invested debt proceeds associated with the capital projects. Therefore, asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2016 was \$3,286,319.



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***Unearned Revenues and Deposits*** - Unearned revenues include amounts billed for tuition and fees and certain auxiliary activities (including, but not limited to, athletic ticket sales and parking revenues) prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

***Compensated Absences*** - Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

***Noncurrent Liabilities*** - Noncurrent liabilities include (1) principal amounts of 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; (3) net pension liability; and (4) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

***Deferred Outflows of Resources*** - the consumption of net position that is applicable to future reporting periods. The University's deferred outflows of resources consist of (1) deferred loss on debt refunding – the defeasance of previously outstanding bonds resulted in deferred refunding losses. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter; (2) net pension liability - decreases in net pension liability that were not included in pension expense. Also, employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

***Deferred Inflows of Resources*** - the acquisition of net position that is applicable to future reporting periods. The University's deferred inflows of resources consist of increases in the net pension liability that were not included in pension expense.

***Net Position*** - Components of the University's net position are classified as follows:

***Net investment in capital assets:*** 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 net investment in capital assets.

***Restricted - nonexpendable:*** The restricted nonexpendable component of net position consists 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 - expendable:*** The restricted expendable component of net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

***Unrestricted:*** The unrestricted component of net position represents resources derived from student tuition and fees, 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.

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

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Income Taxes** - The University is a political subdivision of the State and, is therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of the University may be subject to taxation as unrelated business income.

**Classification of Revenues** - The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations.

These revenues include:

- (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students;
- (2) receipts for scholarships including federal grants and contract revenue where the governmental agency has identified the qualified student recipients;
- (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and
- (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Allowance** - 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 position. 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.

**Rebatable Arbitrage** - Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, 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 these earnings exceeds the effective yield on the related tax-exempt debt issued.

Governmental units that issue no more than \$5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The University had no rebatable arbitrage liability at June 30, 2016.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Donor-Restricted Endowments** - Endowments are subject to restrictions requiring that the principal be invested and that only the income be used for specific purposes. If a donor has not provided specific timing instructions, state law permits the Board of Trustees to authorize for expenditure the endowment's net appreciation. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. The University has a total return policy for authorizing and spending endowment income.

At June 30, 2016, \$13,400,869 of the amount reported as *net position, restricted expendable - scholarships, research, instruction and other*, represented net appreciation of donor-restricted endowments.

**Adoption of new accounting standard** - Effective for the fiscal year ending June 30, 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of this implementation, the Campus classifies its investments using a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The effect of this implementation is discussed in Note 2.

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS**

Most 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 deposits and investments are deposited with or managed by financial institutions and brokers as restricted by donors.

The following schedule reconciles deposits and investments within the notes to the statement of net position amounts:

<b>Statement of Net Position</b>	
Cash and cash equivalents (current)	\$ 447,504,784
Restricted cash and cash equivalents (current) for:	
Debt service	5,560,833
Scholarship, research, instruction, and other	40,828,906
University administered loans	196,168
Capital projects	142,163,521
	<u>188,749,428</u>
Restricted cash and cash equivalents (noncurrent) for:	
Endowments	77,225,525
Federal student loans	2,702,335
Debt service reserves	7,668,381
	<u>87,596,241</u>
Investments (noncurrent)	<u>5,245,766</u>
<b>Total</b>	<b><u>\$ 729,096,219</u></b>
<b>Notes</b>	
Cash on hand	1,093,142
Deposits held by State Treasurer	722,396,208
Other deposits	361,103
Investments held by State Treasurer	3,531,323
Other investments	1,714,443
<b>Total</b>	<b><u>\$ 729,096,219</u></b>

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS, Continued**

***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. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to the 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 agents in the State's name. Information pertaining to the reported amounts, fair values, and the 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, 2016, \$10,378,257 of the \$722,396,208 identified in the preceding schedule as "Deposits held by State Treasurer" is attributable to unrealized appreciation.

The University has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The University's investments consist of \$1,202,665 Level 1 assets, \$163,145 Level 2 assets, and \$348,633 Level 3 assets. The investment assets held in the State's cash management pool are all Level 2 assets.

***Other Deposits*** - The University's other deposits at year-end were entirely covered by federal depository insurance or were fully collateralized by securities held by the pledging bank's trust department.

***Investments Held by State Treasurer and Other Investments*** - The University's investments include common stock held by the State Treasurer for the University.

The University has other investments which are managed by financial institutions or brokers as specified by the donors. Purchased investments are valued at fair value. Investments received from donors are valued at the lesser of their fair value on the date promised or received or fair value as of fiscal year-end.

Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investments or collateral securities that are in possession of an outside party.

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 totaling \$1,714,443 were collateralized by securities held by the pledging bank's trust department but not in the University's name.

The net change in unrealized appreciation of investments for the current fiscal year was \$350,128.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 3 - RECEIVABLES**

**Accounts Receivable** – Accounts receivable consisted of the following:

Student	\$ 14,635,109
Auxiliary enterprises	5,979,750
Federal grants and contracts	43,789,142
State grants and contracts	2,150,375
Local grants and contracts	569,851
Non-governmental grants and contracts	5,934,777
Accrued interest	819,993
	<hr/> 73,878,997
Less allowance for doubtful accounts	<hr/> (3,542,304)
<b>Accounts receivable, net</b>	<b><u><u>\$ 70,336,693</u></u></b>

Allowances for doubtful accounts are based upon actual losses experienced in prior years and evaluations of the current accounts.

**Student Loans Receivable and Federal Loan Liability** - Student loans made through the Federal Perkins and the Federal Nursing and Health Professions loan programs comprise substantially all of the student loans receivable, and are restricted for such loans. The loan programs provide various repayment options: students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise.

The amount reported as a federal loan liability is the amount of federal contributions and net earnings on the loans that would have to be repaid to the federal government if the University ceased to participate in the programs.

As the University determines that loans are uncollectible, the loans can be assigned to the federal agency administering the loan programs.

**Capital Improvement Bonds Proceeds Receivable** - This amount represents outstanding state capital improvement and infrastructure bond fund proceeds, and capital reserve fund appropriations that have been expended but not yet drawn.

The State has authorized capital improvement bonds, research infrastructure bonds, university infrastructure bonds and capital reserve fund appropriations to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested once the State authorities have given approval to begin specific projects and project expenditures have been incurred.

At June 30, 2016 the University had no capital improvement bond proceeds receivable.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 4 - CAPITAL ASSETS**

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Capital assets not being depreciated				
Land and improvements	\$ 79,919,429	\$ -	\$ -	\$ 79,919,429
Construction in progress	105,048,359	79,656,498	72,153,787	112,551,070
Works of art and historical treasures	31,335,637	3,415,067	-	34,750,704
Total capital assets not being depreciated	<u>216,303,425</u>	<u>83,071,565</u>	<u>72,153,787</u>	<u>227,221,203</u>
Other capital assets				
Land improvements	108,738,155	30,632	-	108,768,787
Buildings and improvements	1,574,583,423	66,145,991	-	1,640,729,414
Machinery, equipment and other	190,975,609	11,534,254	4,695,837	197,814,026
Vehicles	17,508,627	1,047,215	307,568	18,248,274
Intangibles	56,665,956	5,670,198	-	62,336,154
Total capital assets at historical cost	<u>1,948,471,770</u>	<u>84,428,290</u>	<u>5,003,405</u>	<u>2,027,896,655</u>
Less accumulated depreciation for				
Land improvements	31,827,890	4,102,951	-	35,930,841
Buildings and improvements	640,815,826	39,861,760	-	680,677,586
Machinery, equipment and other	146,941,715	9,574,379	4,560,112	151,955,982
Vehicles	11,700,782	1,072,284	307,568	12,465,498
Intangibles	13,020,682	5,954,587	-	18,975,269
Total accumulated depreciation	<u>844,306,895</u>	<u>60,565,961</u>	<u>4,867,680</u>	<u>900,005,176</u>
Other capital assets, net	<u>1,104,164,875</u>	<u>23,862,329</u>	<u>135,725</u>	<u>1,127,891,479</u>
Capital assets, net	<u><b>\$ 1,320,468,300</b></u>	<u><b>\$ 106,933,894</b></u>	<u><b>\$ 72,289,512</b></u>	<u><b>\$ 1,355,112,682</b></u>

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publically available through the Retirement Benefits' link on PEBA's website at [www.peba.gov](http://www.peba.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

***Plan Description***

*The South Carolina Retirement System (SCRS)*, a cost sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

*The State Optional Retirement Program (ORP)* is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

*The South Carolina Police Officers Retirement System (PORS)*, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

***Membership*** - Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

***SCRS*** – Generally, all employees of covered employers, such as the University, are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III member.



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.16 percent) and a portion of the employer contribution (5.00 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.91 percent) and an incidental death benefit contribution (0.15 percent), if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III member.

**Benefits-** Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of services, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS – A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years of credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

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 (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching the age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**PORS** – A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of credited service regardless of age. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of credited service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits. An incidental death 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 or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement.

**Contributions** - Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty- year amortization period; and, this increase is not limited to one-half of one percent per year.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

Required **employee** contribution rates for fiscal year 2015-2016 are as follows:

**SCRS**

Employee Class II	8.16% of earnable compensation
Employee Class III	8.16% of earnable compensation

**ORP**

8.16% of earnable compensation

**PORS**

Employee Class II	8.74% of earnable compensation
Employee Class III	8.74% of earnable compensation

Required **employer** contribution rates<sup>1</sup> for fiscal year 2015-2016 are as follows:

**SCRS**

Employer Class II	10.91% of earnable compensation
Employer Class III	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**ORP**

Employer Contribution <sup>2</sup>	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**PORS**

Employer Class II	13.34% of earnable compensation
Employer Class III	13.34% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

<sup>2</sup> Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Of the ORP employer contribution of 10.91% of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

SCRS - The University's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2016, 2015, and 2014 were:

Fiscal Year <u>Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2016	10.910%	\$29,302,000	0.150%	\$403,000
2015	10.750%	\$28,671,000	0.150%	\$400,000
2014	10.450%	\$26,410,000	0.150%	\$379,000

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

PORS - The University's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2016, 2015, and 2014 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2016	13.340%	\$886,000	0.200%	\$13,300	0.200%	\$13,300
2015	13.010%	\$850,000	0.200%	\$13,100	0.200%	\$13,100
2014	12.440%	\$791,000	0.200%	\$12,700	0.200%	\$12,700

For fiscal year 2016, total contributions requirements to the ORP were \$25,253,507 (excluding the surcharge) from the University as employer and approximately \$18,888,050 from its employees as plan members.

**Teacher and Employee Retention Incentive** - Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

**Net Pension Liability** - At June 30, 2016, the University reported liabilities of \$772,745,350 and \$11,399,093 for its proportionate share of the SCRS and PORS net pension liability, respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The University's proportionate shares of the net pension liabilities were based on the University's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the University's proportionate shares of the SCRS and PORS plans were 4.074352% and 0.52302%.

**Pension Expense** - For the year ended June 30, 2016, the University recognized pension expense of \$55,614,230 and \$997,905 for SCRS and PORS, respectively.

**Deferred inflows of resources and deferred outflows of resources** - At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

**South Carolina Retirement System**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,767,903	\$ 1,381,870
Net difference between projected and actual earnings on pension plan investments	5,172,204	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	1,680,168
University contributions subsequent to the measurement date	43,476,291	-
Total	<u>\$ 62,416,398</u>	<u>\$ 3,062,038</u>

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Police Officers Retirement System**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 225,931	\$ -
Net difference between projected and actual earnings on pension plan investments	124,725	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	73,625
University contributions subsequent to the measurement date	905,383	-
Total	<u>\$ 1,256,039</u>	<u>\$ 73,625</u>

The \$43,476,291 and \$905,383 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2016 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

	<b>SCRS</b>
Year ended June 30:	
2017	(2,776,564)
2018	(2,776,564)
2019	1,938,978
2020	(12,263,919)
	<u>\$ (15,878,069)</u>

	<b>PORS</b>
Year ended June 30:	
2017	(16,074)
2018	(16,074)
2019	(6,096)
2020	(238,787)
	<u>\$ (277,031)</u>

**Actuarial Assumptions and Methods** - Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014 valuations for SCRS and PORS.

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) <sup>1</sup>	4.0% to 10.0% (varies by service) <sup>1</sup>
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

<sup>1</sup> Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuations for SCRS and PORS are as follows.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Net Pension Liability** - The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2015, net pension liability amounts for SCRS and PORS are as follows (amounts expressed in thousands):

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability (Asset)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension</b>
SCRS	\$44,097,310,230	\$25,131,828,101	\$18,965,482,129	57.0%
PORS	6,151,321,222	3,971,824,838	2,179,496,384	64.6%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investment substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL. Investments earned 1.60% during the plan year ended June 30, 2015 and thus the market value of the SCRS and PORS investments increased slightly. However, this resulted in negative cash flows because net investment income plus other plan additions (contributions) were not substantial enough to offset plan deductions (benefit payments and administrative costs). Accordingly, SCRS and PORS experienced an overall decreased in plan fiduciary net position for the fiscal year ended June 30, 2015. This change, coupled with the annual increase in the total pension liability, led to a \$1.75 billion and \$265 million increase in the NPL for SCRS and PORS, respectively, for the measurement period ended June 30, 2015.

**Long Term Expected Rate of Return** - The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Short Term			
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income			
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income			
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives			
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis** - The following table presents the collective net pension liability of the University calculated using the discount rate of 7.50 percent, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00% Increase (8.5%)</b>
SCRS	\$974,179,751	\$772,745,350	\$603,872,036
PORS	15,528,225	11,399,093	7,707,872

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Additional Financial and Actuarial Information** - Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2015 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2015.

**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 plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

**Plan Description** - In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**Funding Policies** - Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for 2016 and 5.00% of annual covered payroll for 2015. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$27,002,023 and \$24,685,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016 and 2015. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$255,000 and \$247,000 for the years ended June 30, 2016 and 2015, respectively.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

One may obtain a copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 7 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$46,697,731 for capital and \$6,113,538 for noncapital projects. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

**NOTE 8 - LEASE OBLIGATIONS**

The future minimum lease payments for noncancelable operating leases are as follows:

2017	2,838,302
2018	1,986,502
2019	1,731,215
2020	1,347,613
2021	1,066,882
2022-2026	4,691,900
2027-2031	2,314,940
2032-2036	822,375
	<hr/>
Total minimum lease payments	<b><u>\$ 16,799,729</u></b>

The preceding payment schedule relates to noncancelable operating leases having remaining terms of more than one year and expiring in various fiscal years from 2017-2036. These noncancelable operating leases include agreements between the University and third party vendors as well as other State agencies and related parties. Certain operating leases provide for renewal options at their fair rental value at the end of their lease term. Total real property operating lease payments were \$4,141,605 for fiscal year 2016. Of this amount, \$400,962 was paid to other State agencies. In the current fiscal year, the University incurred expenses of \$1,114,848 for office copier contingent rentals on a cost per copy basis.

The University also has a 35 year operating lease agreement for two city blocks of parking surrounding the Colonial Life Arena for \$100,000 per year. In accordance with the terms of the lease, in fiscal year 2003, the University paid \$3,500,000, representing rent due for the entire term. As of June 30, 2016, the remaining unamortized prepaid balance related to the parking lease agreement was \$2,100,000 with \$100,000 reflected as a current asset.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 8 - LEASE OBLIGATIONS, Continued**

***Capital Leases***

Buildings, land, and equipment held by the University under capital leases as of June 30, 2016:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings	\$ 18,815,394	\$ 4,047,261	\$ 14,768,133
Land	270,000	-	270,000
Equipment	548,000	148,417	399,583

The future minimum capital lease obligations and the net present value of the minimum capital lease payments are as follows:

2017	\$ 5,456,827
2018	1,178,233
2019	1,171,820
2020	1,006,776
2021	960,190
2022-2026	4,940,034
2027-2031	<u>4,667,441</u>
Total minimum lease payments	19,381,321
Less amount representing interest	<u>(4,557,576)</u>
<b>Present value of minimum lease payments by year</b>	<b><u>\$ 14,823,745</u></b>

Capital lease obligations consist of:

Agreement with USC Upstate Foundation for land and building, dated February 2010, payable in monthly principal payments of \$6,500, with a fixed interest rate of 4.11%. This agreement expires in December 2019.	\$ 253,869
Agreement with the Columbia Parking Facilities Corporation payable in monthly principal payments ranging from \$30,000 to \$80,000 and a payment of approximately \$4,000,000 due in March 2017. Interest rates range from 5.085% to 6.815%. This agreement expires in March 2031.	14,249,142
Agreement with Hewlett Packard payable in monthly principal payments of \$9,859 with a fixed interest rate of 3.05%. This agreement expires in April 2019.	320,734
<b>Present value of minimum lease payments by lease</b>	<b><u>\$ 14,823,745</u></b>

During the fiscal year ended June 30, 2016, the Upstate campus paid \$234,802 to complete the capital lease agreement with the USC Upstate Foundation for land and building dated August 2011 and expiring August 2020.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS AND NOTES PAYABLE**

**Bonds Payable** – Bonds payable consisted of the following:

	Original Debt	Interest Rates (Outstanding)	Maturity Dates	June 30, 2016 Balance	Debt Retired in Fiscal Year 2016
<b>State Institution Bonds</b>					
Series 2006B	\$ 58,000,000	5.25%	04/01/16	\$ -	\$ 2,685,000
Series 2009B	8,550,000	3% to 5%	04/01/29	6,090,000	365,000
Series 2011A Refunding	20,085,000	2.25% to 5%	03/01/22	12,710,000	1,870,000
Series 2011E	23,955,000	2.25% to 5%	03/01/31	19,570,000	925,000
Series 2012A Refunding	21,475,000	2.5% to 5%	04/01/24	10,305,000	3,360,000
Series 2014A	15,190,000	3% to 5%	04/01/34	14,105,000	495,000
Series 2015A	56,725,000	2% to 5%	04/01/35	54,585,000	2,140,000
Series 2015B Refunding	30,625,000	4% to 5%	04/01/26	30,625,000	-
<b>Total State Institution Bonds</b>				<b>147,990,000</b>	<b>11,840,000</b>
<b>Revenue Bonds</b>					
Series 2005A	12,400,000	5%	05/01/35	-	9,820,000
Series 2005A Refunding	43,140,000	5%	06/01/30	-	29,420,000
Series 2006A	13,995,000	4%	06/01/26	-	9,020,000
Series 2008A	64,335,000	4% to 5.25%	06/01/38	55,445,000	1,390,000
Series 2008A Athletic	27,395,000	4% to 5.5%	05/01/38	25,425,000	655,000
Series 2009A	28,920,000	3% to 5%	06/01/39	24,840,000	635,000
Series 2010A	28,510,000	3.125% to 5%	06/01/40	25,215,000	595,000
Series 2010A Athletic	65,855,000	4% to 5%	05/01/40	59,190,000	1,300,000
Series 2010B Refunding Athletic	12,840,000	3% to 5%	05/01/27	10,160,000	640,000
Series 2012	61,945,000	3% to 5%	05/01/35	60,000,000	1,945,000
Series 2012 Refunding	28,110,000	3% to 5%	05/01/34	24,440,000	1,265,000
Series 2012A Athletic	13,580,000	2.5% to 4%	05/01/42	12,465,000	295,000
Series 2012B Refunding Athletic	6,350,000	3.5%	05/01/32	6,350,000	-
Series 2013	37,185,000	3% to 5%	05/01/43	35,190,000	845,000
Series 2015A Athletic	38,270,000	3% to 5%	05/01/45	37,680,000	590,000
Series 2015	48,175,000	3.5% to 5%	05/01/35	47,390,000	785,000
<b>Total Revenue Bonds</b>				<b>423,790,000</b>	<b>59,200,000</b>
Subtotal bonds payable				571,780,000	71,040,000
Plus unamortized bond premiums				48,021,743	2,681,229
Less unamortized bond discounts				(570,835)	(28,745)
<b>Total Bonds Payable</b>				<b>\$ 619,230,908</b>	<b>\$ 73,692,484</b>

State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt requirements for the payment of principal and interest on state institution bonds. The legal debt margin for state institution bonds shall not exceed ninety percent of tuition fees received from the preceding fiscal year for the University as a whole.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS AND NOTES PAYABLE, Continued**

Tuition fees used to calculate the University's debt service limit on bond indebtedness for the preceding year were \$30,034,165, which results in a legal annual debt service at June 30, 2016 of \$27,030,748. The annual debt service payments for the fiscal year were \$18,505,990. Tuition revenue pledged in fiscal year 2016 was \$31,863,973 for state institution bonds.

General revenue bonds are payable from a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds. General revenue bonds may also be payable from a pledge of additional funds. Additional funds are all available funds and academic fees of the University which are not (i) otherwise designated or restricted; (ii) funds derived from appropriations; and (iii) tuition funds pledged to the repayment of state institution bonds. Pledged net revenues for general revenue bonds in fiscal year 2016 were \$20,796,296.

Athletic facilities revenue bonds are payable from a pledge of net revenues of the athletic department, gross receipts of a special admission fee to facilities and a special student fee as authorized by the governing board. Pledged revenues for athletic facilities revenue bonds in fiscal year 2016 were \$1,764,679 of special student fees, \$3,515,850 of special admission fees and \$5,148,778 of athletic department revenues.

The University believes it is in compliance with all related bond covenants of its issued debt.

On September 1, 2015 the University issued \$6,245,000 in Revenue bonds for building renovations.

On September 1, 2015 the University issued \$41,930,000 in Revenue Refunding bonds to fully refund the Series 2005A Revenue Refunding bonds with a final maturity between June 1, 2017 and June 1, 2030 to be called on December 1, 2015, to fully refund the Series 2005A Revenue bonds with a final maturity of May 1, 2035 to be called on September 25, 2035 and to partially refund the Series 2006A Revenue bonds with a final maturity of June 1, 2026 to be called on June 1, 2016. The refunding transaction resulted in a deferred loss on refunding of \$477,764, an aggregate debt payment reduction of \$5,158,229 over the next 20 years and an economic gain of \$4,385,955.

Subsequent to June 30, 2016, two bond issuances took place that resulted in significant savings to the University. On July 1, 2016, the University issued \$67,800,000 in Higher Education Revenue Refunding bonds and \$22,400,000 in Athletic Revenue Refunding bonds. This transaction resulted in a present value savings of \$19,800,000 that will be realized in the form of annual cash flow savings ranging from \$780,000 to \$1,080,000 per year through 2039.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS AND NOTES PAYABLE, Continued**

The scheduled maturities of the University bonds payable by type are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>State Institution Bonds</b>			
2017	\$ 9,330,000	\$ 6,460,225	\$ 15,790,225
2018	9,725,000	6,056,875	15,781,875
2019	10,105,000	5,643,725	15,748,725
2020	10,590,000	5,144,400	15,734,400
2021	10,990,000	4,716,875	15,706,875
2022-2026	48,565,000	15,926,125	64,491,125
2027-2031	30,530,000	6,541,694	37,071,694
2032-2035	18,155,000	1,482,513	19,637,513
<b>Total</b>	<b><u>\$ 147,990,000</u></b>	<b><u>\$ 51,972,432</u></b>	<b><u>\$ 199,962,432</u></b>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Revenue Bonds</b>			
2017	\$ 13,235,000	\$ 20,105,794	\$ 33,340,794
2018	14,340,000	19,569,756	33,909,756
2019	14,595,000	18,969,481	33,564,481
2020	15,285,000	18,293,031	33,578,031
2021	15,675,000	17,553,025	33,228,025
2022-2026	88,285,000	75,903,063	164,188,063
2027-2031	98,250,000	53,633,681	151,883,681
2032-2036	95,390,000	29,590,450	124,980,450
2037-2041	56,660,000	8,927,838	65,587,838
2042-2045	12,075,000	1,046,200	13,121,200
<b>Total</b>	<b><u>\$ 423,790,000</u></b>	<b><u>\$ 263,592,319</u></b>	<b><u>\$ 687,382,319</u></b>



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS AND NOTES PAYABLE, Continued**

**Notes Payable** – Notes payable consisted of the following:

Note payable to acquire energy savings equipment and lighting retrofit, dated December 2008, payable in annual installments of \$51,251 subject to amount drawn at any given time, matures April 2020, fixed interest rate of 3.00%.

\$ 190,218

The scheduled maturities of the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,544	\$ 5,707	\$ 51,251
2018	46,910	4,340	51,250
2019	48,318	2,933	51,251
2020	49,446	1,804	51,250
<b>Total</b>	<b>\$ 190,218</b>	<b>\$ 14,784</b>	<b>\$ 205,002</b>

**NOTE 10 - LONG-TERM LIABILITIES**

Long-term liability activity was as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>	<u>Long-Term Portion</u>
Bonds Payable:						
State Institution Bonds	\$ 159,830,000	\$ -	\$ 11,840,000	\$ 147,990,000	\$ 9,330,000	\$ 138,660,000
Revenue Bonds	434,815,000	48,175,000	59,200,000	423,790,000	13,235,000	410,555,000
Subtotal Bonds Payable	594,645,000	48,175,000	71,040,000	571,780,000	22,565,000	549,215,000
Unamortized Bond Premiums	43,471,640	7,231,332	2,681,229	48,021,743	3,116,557	44,905,186
Unamortized Bond Discounts	(599,580)	-	(28,745)	(570,835)	(28,745)	(542,090)
Total Bonds Payable	637,517,060	55,406,332	73,692,484	619,230,908	25,652,812	593,578,096
Notes Payable	265,261	-	75,043	190,218	45,544	144,674
<b>Total Bonds and Notes Payable</b>	<b>\$ 637,782,321</b>	<b>\$ 55,406,332</b>	<b>\$ 73,767,527</b>	<b>\$ 619,421,126</b>	<b>\$ 25,698,356</b>	<b>\$ 593,722,770</b>
Capital Lease Obligations	\$ 15,845,221	\$ -	\$ 1,021,476	\$ 14,823,745	\$ 4,728,050	\$ 10,095,695
Accrued Compensated Absences	\$ 34,594,158	\$ 25,163,955	\$ 24,391,342	\$ 35,366,771	\$ 21,927,398	\$ 13,439,373

Additional information regarding bonds and notes payable is included in Note 9.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS**

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. They include the South Carolina Research Foundation, the University of South Carolina School of Medicine Educational Trust (the Trust), and the Beaufort-Jasper Higher Education Commission, all of which are considered governmental component units. In addition, the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the University of South Carolina Upstate Foundation; the University of South Carolina Upstate Capital Development Foundation; and the Educational Foundation of the University of South Carolina – Lancaster are considered nongovernmental component units because they do not meet the definition of a governmental entity. Because the activities and resources of these entities are significant, provide a direct benefit, and are accessible to the University, they are considered component units of the University and are discretely presented in the University's financial statements accordingly as governmental or non-governmental reporting entities.

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

**Governmental Discretely Presented Component Units**

The South Carolina Research Foundation (the Foundation) operates as a supporting organization of the University of South Carolina's teaching, research, and public service missions. It will support research programs of clear relevance to the state and nation. The research areas focus on the environment, new technologies, economic development, health sciences and social issues. The Foundation receives research funding from private sources and also competes for federal funds. The University receives funds for research from the Foundation. In 2013, University and Research Foundation management agreed to administrative process changes that allowed the University to resume its historic role of directly processing new federal grant and contract transactions. The University expects that over the next several years this decision will result in the University processing all federal grant and contract transactions and an equal reduction in the federal grant activities processed by the Research Foundation. Complete financial statements for the Foundation can be obtained at The South Carolina Research Foundation, 202 Osborne Building, USC, Columbia, SC 29208, Attention: Kelly Epting.

The University of South Carolina School of Medicine Educational Trust (the Trust) is organized and operates exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the University of South Carolina School of Medicine. The Trust is governed by a board consisting of the Dean of the University's School of Medicine, the Chairman of each of the twelve departments of the School of Medicine, as well as other employees of the University School of Medicine. The Trust is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3).

The Trust is involved in continuing discussions regarding the integration of patient operations with its primary affiliated hospital/healthcare partner. During fiscal year 2015, a new 501(c)(3) entity was formed. The two members are Palmetto Health and the Trust. The new entity's name is Palmetto Health University of South Carolina Medical Group ("PHUSCMG"). The new entity is still in the process of becoming operational. Formal Management Service Agreements and other operating agreements and documents are expected to be finalized during fiscal year 2017. Board members of PHUSCMG have been appointed and an Executive Dean has been hired and is actively working towards the operational start date. PHUSCMG will provide healthcare services to substantially the same patient and demographic populations as before. Complete financial statements for the Trust can be obtained at the University of South Carolina School of Medicine Educational Trust, Post Office Box 413, Columbia, South Carolina 29202, Attention: Jeff Perkins.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS, Continued**

The Beaufort-Jasper Higher Education Commission (the Commission) was created in 1994 by the General Assembly of South Carolina. The Commission's primary purpose is to provide support and encouragement for all undertakings to improve the higher education opportunities for the benefit of the citizens and residents of Beaufort and Jasper Counties. The Commission serves as the liaison between the University of South Carolina Beaufort campus (USC Beaufort) and the Beaufort and Jasper communities as well as the oversight committee for campus residence halls and the student center including the construction and management of those facilities. Complete financial statements for the Commission can be obtained at 1 University Boulevard, Bluffton, SC 29909.

**Non-Governmental Discretely Presented Component Units**

The University of South Carolina Development Foundation (the Foundation) operates exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the University including, but not limited to, promoting, encouraging, and aiding scientific research and investigation at the University. The University receives funds for rent, the lease of real property and reimbursement for computer and personnel services provided by the University from the Foundation. The University also pays the Foundation for the lease of real property and for research programs. As of June 30, 2016 the Foundation held approximately \$26,405,753 in endowment funds for the University. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention: Russell Meekins.

The University of South Carolina Educational Foundation (the Foundation) operates for the benefit and support of the University of South Carolina. Its objectives include the establishment and implementation of long-range fundraising programs to assist in the expansion and improvement of the educational functions of the University. The University receives from the Foundation funds for scholarships, awards and stipends to students, faculty and administrative staff; library collections; reimbursement for computer and personnel services provided by the University. As of June 30, 2016 the Foundation held approximately \$277,954,806 in endowment funds for the University. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention: Russell Meekins.

The University of South Carolina Business Partnership Foundation (the Foundation) was formed to bring together representatives of business and government to assist in conducting conferences, seminars, and management programs to further the education, development and effectiveness of management personnel in the State and region. The University receives funds for scholarships, reimbursement of personnel services, fringe benefits and other administrative costs from the Foundation. Complete financial statements for the Foundation can be obtained at University of South Carolina Business Partnership Foundation 1014 Green Street, Columbia, SC 29208, Attention: Rodney L. Roenfeldt.

The Greater University of South Carolina Alumni Association (the Association) was formed to serve the students after they graduate. The Association's objectives are providing job placement and counseling, communicating the aspirations and needs of the University, helping graduates keep in touch with one another, and providing programs of continuing education. In October 2015, the Association opened the new 60,000 square foot Alumni Center. The University receives funds for scholarships from the Association and provides office and meeting space at no cost to the Association. Complete financial statements for the Association can be obtained at 900 Senate Street, Columbia, SC 29201, Attention: Jack Claypoole.

The USC Upstate Foundation (the Foundation) was established to accept gifts for charitable, benevolent, cultural, and education purposes and to provide student housing and other real property for the exclusive use and benefit of the University of South Carolina Upstate. The University receives funds from the Foundation for scholarships and reimbursement for personnel and student housing services provided by the University. Complete financial statements for the Foundation can be obtained at USC Upstate Foundation, 800 University Way, Spartanburg, SC 29303.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS, Continued**

The USC Upstate Capital Development Foundation (the Foundation) was established to accept real property donated to the University of South Carolina Upstate, serve as the purchasing agent for property on behalf of USC Upstate that is integral to the growth of the campus, and to manage property under leasing agreements to the University. Complete financial statements for the Foundation can be obtained at USC Upstate Capital Development Foundation, 800 University Way, Spartanburg, SC 29303.

The Educational Foundation of the University of South Carolina - Lancaster (the Foundation) operates for the benefit and support of the University of South Carolina at Lancaster. Its objectives include the establishment and implementation of long-range fund-raising programs to assist in the expansion and improvement of the educational functions of the University. The University receives from the Foundation funds for scholarships, rent, and reimbursement for computer and personnel services provided by the University. Complete financial statements for the Foundation can be obtained at PO Box 809, Lancaster, SC 29721.

Various transactions occur between the University and the component units. A summary of those transactions follows:

**Funds Received from Component Units**

South Carolina Research Foundation	\$ 22,060,472
USC School of Medicine Educational Trust	1,402,949
Beaufort-Jasper Higher Education Commission	1,139,920
USC Development Foundation	323,717
USC Educational Foundation	15,484,475
USC Business Partnership Foundation	1,396,801
Greater USC Alumni Association	794,993
USC Upstate Foundation	312,570
Educational Foundation of USC Lancaster	-
<b>Total</b>	<b><u>\$ 42,915,897</u></b>

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS, Continued**

The majority of the South Carolina Research Foundation revenues are recorded by the University as federal grants and contracts revenues and the majority of revenues from the other component units are recorded as private gifts revenue. Federal grants and contracts receivables include \$8,077,369 due from the South Carolina Research Foundation at June 30, 2016.

**Funds Paid to Component Units**

South Carolina Research Foundation	\$ 43,383
USC School of Medicine Educational Trust	3,168,689
Beaufort-Jasper Higher Education Commission	4,900,000
USC Development Foundation	347,369
USC Educational Foundation	1,555,801
USC Business Partnership Foundation	54,396
Greater USC Alumni Association	1,270,942
USC Upstate Foundation	14,000
USC Upstate Capital Foundation	344,864
Educational Foundation of USC Lancaster	650
<b>Total</b>	<b><u><u>\$ 11,700,094</u></u></b>

**NOTE 12 - RELATED PARTIES**

There are several separately chartered legal entities which do not meet the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - An Amendment of GASB Statement No. 14*, to be treated as component units of the University. These entities are the local higher education commissions. While they are not financially accountable to the University, these organizations exist primarily to provide financial assistance and other support to the University system campuses and the educational programs. The activities of these entities are not included in the University's financial statements. However, the University's statements for the year ended June 30, 2016 include significant transactions between them and the University which are as follows:

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 12 - RELATED PARTIES, Continued**

***Aiken County Commission for Higher Education Commission*** - The Aiken County Commission for Higher Education (the Commission) was created under Act 103 of the 1961 Session of the General Assembly of South Carolina. The Commission is composed of eight members who are appointed by the Governor on the recommendation of a majority of the Aiken County Legislative Delegation. In addition, the Superintendent of Education for Aiken County and the Chair of the Aiken Commission for Technical Education are ex-officio members of the Commission. The Commission's purpose is the establishment and maintenance of an institution of higher education in Aiken County and it is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and generally, to take such actions in its name necessary to secure for Aiken County and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Aiken County to accomplish these objectives. During the year ended June 30, 2016, the Commission made grants to the University of South Carolina Aiken (USC Aiken) totaling \$330,000 for campus maintenance and enhancements. USC Aiken provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. The Commission leases its land and buildings to USC Aiken for \$1 annually. At June 30, 2016, the Commission had a net position of \$1,792,087.

***Lancaster County Commission for Higher Education*** - The Lancaster County Commission for Higher Education (the Commission) was created under Act 126 of the 1959 Session of the General Assembly of South Carolina. The Commission is composed of seven members who are appointed by the Governor on the recommendation of a majority of the Lancaster County Legislative Delegation, including the Senator. The Commission's purpose is the encouragement of higher education in Lancaster and adjacent areas and, more specifically, the establishment in Lancaster County of facilities to offer standard freshman and sophomore college courses, and such other courses as deemed desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for Lancaster County and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Lancaster County designated specifically for the University of South Carolina Lancaster (USC Lancaster). During the fiscal year ended June 30, 2016, the Commission received an annual appropriation of \$1,466,286. The Commission disbursed \$900,000 to USC Lancaster for operations and maintenance of the physical plant and \$12,244 to vendors for insurance, professional services, and commencement expenses. There was also an \$160,000 disbursement to the Educational Foundation of USC Lancaster for Founders Hall. USC Lancaster provides accounting and cash management services to the Commission at no charge. At June 30, 2016, the Commission had a net position of \$793,220.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 12 - RELATED PARTIES, Continued**

***Western Carolina Higher Education Commission*** - The Western Carolina Higher Education Commission (the Commission) was created under Act 270 in the 1984 Session of the General Assembly of South Carolina. The Commission is composed of ten members, two of whom are from each of the following counties: Allendale, Bamberg, Barnwell, Colleton, and Hampton. The members are appointed by the Governor upon the recommendation of a majority of the Legislative Delegations from the respective counties. The Commission's purpose is the encouragement of higher education in the respective counties and adjacent areas and, more specifically, the establishment of facilities to offer standard freshman and sophomore college courses, and such other courses as deemed desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for its respective counties and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Allendale, Bamberg, Barnwell, Colleton, and Hampton counties to accomplish these objectives. The Commission paid expenditures on behalf of the University of South Carolina Salkehatchie (USC Salkehatchie) of \$52,587 for the fiscal year ended June 30, 2016. The Commission allows the use of its land and buildings to USC Salkehatchie at no cost. USC Salkehatchie provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. At June 30, 2016, the Commission had a net position of \$129,143.

***Mid-Carolina Commission for Higher Education, formerly known as Sumter County Commission for Higher Education*** - The Sumter County Commission for Higher Education was created under Act 50 of the 1965 Session of the General Assembly of South Carolina. In 1996, by an act of the state legislature, the Sumter County Commission for Higher Education was restructured as the Mid-Carolina Commission for Higher Education (the Commission) representing Sumter, Lee, and Clarendon Counties. The nine commission members are appointed by the Governor upon recommendation by the respective county legislative delegations, with one each from Lee and Clarendon Counties, and the remaining seven members from Sumter County. The purpose of the Commission is the encouragement of higher education in Sumter County and adjacent areas and, more specifically, the establishment in Sumter County of facilities to offer standard freshman and sophomore college courses, and such other courses as deemed desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for its respective counties and adjacent areas the necessary educational facilities to provide higher education. The University of South Carolina Sumter (USC Sumter) operates the Sumter Campus under contract with the Commission at a cost of \$1 annually. During the fiscal year ended June 30, 2016, the Commission made payments to USC Sumter totaling \$269,233 for the operation and maintenance of the campus. At June 30, 2016, the Commission had a net position of \$564,886.



**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 12 - RELATED PARTIES, Continued**

***Union Laurens Commission for Higher Education*** - The Union County Commission for Higher Education was created by Act 23 in the 1965 Session of the General Assembly of South Carolina and was repealed by Act 288 of the 1987 Session of the General Assembly of South Carolina which created the Union Laurens Commission for Higher Education (the Commission). The Commission is composed of nine members, with seven being residents of Union County and two being residents of Laurens County. The members are appointed by the Governor upon recommendation by the Union and Laurens County Legislative Delegations. The Commission is responsible for the encouragement of higher education in Union and Laurens Counties and adjacent areas and, more specifically, the establishment in Union and Laurens Counties of facilities to offer standard freshman and sophomore college courses and those other courses considered desirable. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for its respective counties and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Union and Laurens counties of \$174,968 to accomplish these objectives. During the year ended June 30, 2016, the Commission made grants to the University of South Carolina Union (USC Union) totaling \$117,290 for campus projects and maintenance, rental of facilities, community service and institutional support. The Commission provides its land and buildings to USC Union at no cost. USC Union provides clerical, accounting, and cash management services to the Commission at no charge. At June 30, 2016, the Commission had a net position of \$2,465,304.

***Spartanburg County Commission for Higher Education*** - The Spartanburg County Commission for Higher Education (the Commission) was created under Act 36 of the 1967 Session of the General Assembly of South Carolina. The Commission is composed of seventeen members who are appointed by the Governor on the recommendation of a majority of the Spartanburg County Legislative Delegation. The Commission is responsible for the encouragement of higher education in Spartanburg County and adjacent areas and, more specifically, the establishment in Spartanburg County of facilities necessary to provide for an institution of higher education. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for Spartanburg County and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Spartanburg County. During the year ended June 30, 2016, the Commission made grants to the University of South Carolina Upstate (USC Upstate) totaling \$15,000. The Commission paid expenditures on behalf of USC Upstate of \$15,222 for the fiscal year ended June 30, 2016. The Commission controls land owned by the County and provides the land to USC Upstate at no cost. USC Upstate provides accounting and record maintenance services to the Commission at no charge. The Commission owns five duplexes located adjacent to campus and will purchase a sixth in the next fiscal year. These properties are managed by a rental company and are not considered student housing. The proceeds from these rentals are added to the \$300,000 endowment or operating funds of the Commission. At June 30, 2016, the Commission had a net position of \$878,000.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 13 - RISK MANAGEMENT**

The University has implemented a comprehensive Enterprise Risk Management (ERM) and Insurance program across all campuses which incorporates the fundamentals of risk identification, risk assessment, risk treatment, risk monitoring and risk review. Currently, the Columbia and Aiken campuses have established an ERM process using the guidance of International Standards Organization (ISO) 3100-2009 "Risk Management - Principals and Guidelines". ISO provides principles, framework and process for managing any form of risk in a systematic, transparent and credible manner. The ERM program is committed to: preventing adverse claim experience through training, education and inspection; advising and assisting university managers in identifying potential risks and losses; advising and assisting university managers in implementing controls to mitigate risks; and procuring appropriate insurance policies. The University mitigates the financial consequences of physical, human, and financial loss by purchasing insurance through the State Budget and Control Board Office of the Insurance Reserve Fund (IRF). As needed, the IRF policies are supplemented by the purchase of policies through the private insurance market. Several sections of the South Carolina Code of Laws authorize and require the State Budget and Control Board, through the IRF, to provide insurance to governmental entities. These statutes in turn require most state entities to purchase insurance through the IRF. These sections include:

**Title 1 - Administration of Government**, Section 1-11-140 - 141. Authority to provide tort liability insurance to governmental entities, their employees, and charitable medical facilities.

**Title 1 - Administration of Government**: Section 1-11-147. Automobile Liability Reinsurance.

**Title 10 - Public Buildings and Property**: Section 10-7-10 through 10-7-40. Authority to insure public buildings and contents.

**Title 10 - Public Buildings and Property**: Section 10-7-12. Authority to purchase reinsurance.

**Title 10 - Public Buildings and Property**: Section 10-7-130. Authority to hold monies paid as premiums for the purpose of paying Insured losses.

**Title 11 - Public Finance**: Section 11-9-75. Debt Collection Procedures.

**Title 15 - Civil Remedies and Procedures**: Section 15-78-10 through 15-78-150. S.C. Governmental Tort Claims Act. Authority to provide liability insurance.

**Title 38 - Insurance**: Section 38-13-190. Requires South Carolina Insurance Department Audits of Insurance Reserve Fund Finance.

**Title 59 - Education**: Section 59-67-710 & 59-67-790. Authority to insure school buses and pupils transported by school bus.

**Title 59 - Education**: Section 59-67-790. Pupil Injury Fund.

The IRF functions as a governmental insurance operation with the mission to provide insurance specifically designed to meet the needs of governmental entities at the lowest possible cost. The IRF operates like an insurance company, by issuing policies, collecting premiums (based on actuarially calculated rates), and by paying claims from the accumulated premiums in accordance with the terms and conditions of the insurance policies it has issued.

All premiums received by the IRF are deposited with the Office of the State Treasurer where the funds are maintained as the IRF Trust Account. By statutory requirement, these funds are to be used to pay claims and operating expenses of the fund. The Office of the State Treasurer is responsible for investing these funds. The costs of settled claims have not exceeded the University's insurance coverage in any of the past three years.

The IRF uses no agents, brokers, or advertising, and does not actively solicit accounts. The lack of a profit motive and the lack of acquisition expenses such as agents' commissions, along with the use of the investment income in rate determination allow the IRF to maintain the lowest possible rate structure. Not all governmental entities elect to purchase their insurance through the IRF. The South Carolina Tort Claims Act allows political subdivisions of the State access to other mechanisms to meet their insurance needs at their discretion. Some entities participate in other self-insurance pools, some purchase commercial insurance, and some elect to self-insure their insurance exposures.

**UNIVERSITY OF SOUTH CAROLINA**  
**Notes to the Financial Statements**

**NOTE 13 - RISK MANAGEMENT, Continued**

The various types of property insurance policies maintained by the University include: Building and Personal Property, Inland Marine, Data Processing Equipment, Business Interruption and Builders' Risk. Additionally, Risk Management maintains a variety of casualty insurance policies including Automobile and Aircraft Property Damage and Liability, Directors and Officers Liability, General Tort Liability, Medical Professional Liability, an Employee Fidelity Bond, and Student Workers' Compensation.

**NOTE 14 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification are summarized as follows:

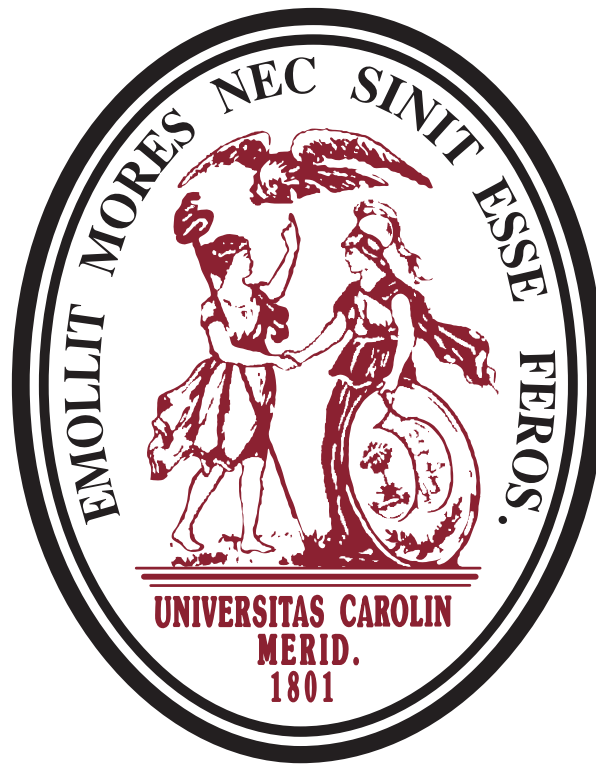
	Salaries and Wages	Fringe Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 265,237,052	\$ 88,104,609	\$ 36,551,026	\$ 90,661	\$ 977,032	\$ -	\$ 390,960,380
Research	62,471,023	24,023,110	34,923,513	4,012	538,617	-	121,960,275
Public service	36,283,015	10,882,270	18,812,537	32,884	349,876	-	66,360,582
Academic support	46,301,030	14,996,966	27,653,998	23,526	17,781	-	88,993,301
Student services	34,749,166	10,788,145	23,879,708	732,163	179,381	-	70,328,563
Institutional support	50,478,395	16,770,373	17,772,856	197,396	217,468	-	85,436,488
Operation & plant maintenance	27,838,823	10,786,241	56,629,380	24,371,922	112	-	119,626,478
Auxiliary enterprises	56,065,858	13,507,446	62,230,521	9,073,619	1,268,342	-	142,145,786
Scholarships and fellowships	69,464	1,568,978	187,149	-	18,207,682	-	20,033,273
Depreciation	-	-	-	-	-	60,565,961	60,565,961
<b>Total operating expenses</b>	<b>\$ 579,493,826</b>	<b>\$ 191,428,138</b>	<b>\$ 278,640,688</b>	<b>\$ 34,526,183</b>	<b>\$ 21,756,291</b>	<b>\$ 60,565,961</b>	<b>\$ 1,166,411,087</b>

**NOTE 15 - ENDOWMENTS AND SIMILAR FUNDS**

The University's endowment funds and type consist of the following:

Net Position Classification	True Endowment	Quasi Endowment	Total
Restricted - nonexpendable	\$ 82,788,474	\$ -	\$ 82,788,474
Restricted - expendable			
Scholarships, research, instruction and other	-	1,818,049	1,818,049
Unrestricted	-	69,835,495	69,835,495
<b>Total</b>	<b>\$ 82,788,474</b>	<b>\$ 71,653,544</b>	<b>\$ 154,442,018</b>

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# **Required Supplementary Information**

**to the Financial Statements**

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**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of the University's Proportionate Share of the Net Pension Liability**  
**As of June 30**

	<b>SCRS</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
University's proportion of the net pension liability	4.074340%	4.086408%	4.086408%
University's proportionate share of the net pension liability	<u>\$ 772,745,350</u>	<u>\$ 703,562,633</u>	<u>\$ 732,955,826</u>
University's covered-employee payroll during the measurement period	<u>\$ 259,539,897</u>	<u>\$ 254,916,138</u>	<u>\$ 250,774,743</u>
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	297.74%	276.00%	292.28%
Plan fiduciary net position as a percentage of the total pension liability	56.99%	59.92%	56.39%

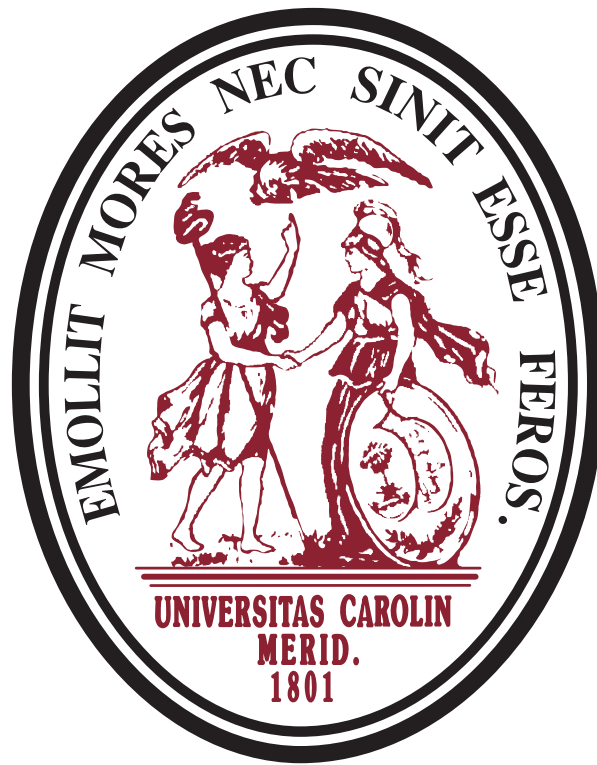
	<b>PORS</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
University's proportion of the net pension liability	0.523020%	0.527400%	0.527400%
University's proportionate share of the net pension liability	<u>\$ 11,399,093</u>	<u>\$ 10,102,838</u>	<u>\$ 10,932,795</u>
University's covered-employee payroll during the measurement period	<u>\$ 6,497,348</u>	<u>\$ 6,360,804</u>	<u>\$ 5,934,668</u>
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.44%	158.83%	184.22%
Plan fiduciary net position as a percentage of the total pension liability	64.57%	67.55%	62.98%



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of the University's Contributions**  
**For the Year Ended June 30**

	<b>SCRS</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 43,476,291	\$ 41,640,003	\$ 39,325,215
Contributions made to pension plan	43,476,291	41,640,003	39,325,215
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered employee payroll	\$ 266,242,277	\$ 259,539,897	\$ 254,916,138
Contributions as a portion of covered employee payroll	16.33%	16.04%	15.43%

	<b>PORS</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 905,383	\$ 868,899	\$ 814,472
Contributions made to pension plan	905,383	868,899	814,472
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered employee payroll	\$ 6,589,396	\$ 6,497,348	\$ 6,360,804
Contributions as a portion of covered employee payroll	13.74%	13.37%	12.80%



# **Supplementary Information**

**to the Financial Statements**

**UNIVERSITY OF SOUTH CAROLINA**  
**Columbia Campus Athletics Department**  
**Schedule of Funds Available for Debt Service**  
**For the year ended June 30, 2016**

**REVENUES**

Admissions/ticket sales <sup>(1)</sup>	\$ 17,210,772
Student athletic fees	2,744,945
Guarantees	5,041,500
Contributions	30,346,425
NCAA/Conference (SEC) distributions	39,166,979
Broadcast, television, radio and internet rights	6,895,000
Direct institutional support	3,229,616
Program, concession, novelty sales and parking	3,993,971
Royalties, licensing, advertisements and sponsorships	4,535,817
Sports camp revenues	152,340
Endowment and investment income	875,491
Other operating revenues	<u>5,892,794</u>
Total revenues	<u>120,085,650</u>

**EXPENSES**

Scholarships and fellowships	14,848,951
Guarantees	1,250,668
Compensation and employee benefits	42,840,765
Recruiting	1,479,493
Team travel	6,276,218
Equipment, uniforms and supplies	3,747,388
Game expenses	6,351,147
Fund raising, marketing and promotion	3,170,047
Sports camp expenses	140,135
Direct facilities, maintenance and rental	15,183,796
Spirit groups	427,923
Medical expenses and insurance	1,132,894
Memberships and dues	103,411
Other operating expenses	<u>7,326,809</u>
Total expenses	<u>104,279,645</u>
Net revenues	15,806,005

**MANDATORY TRANSFERS**

	<u>1,668,028</u>
Net revenues after mandatory transfers	<u>14,137,977</u>

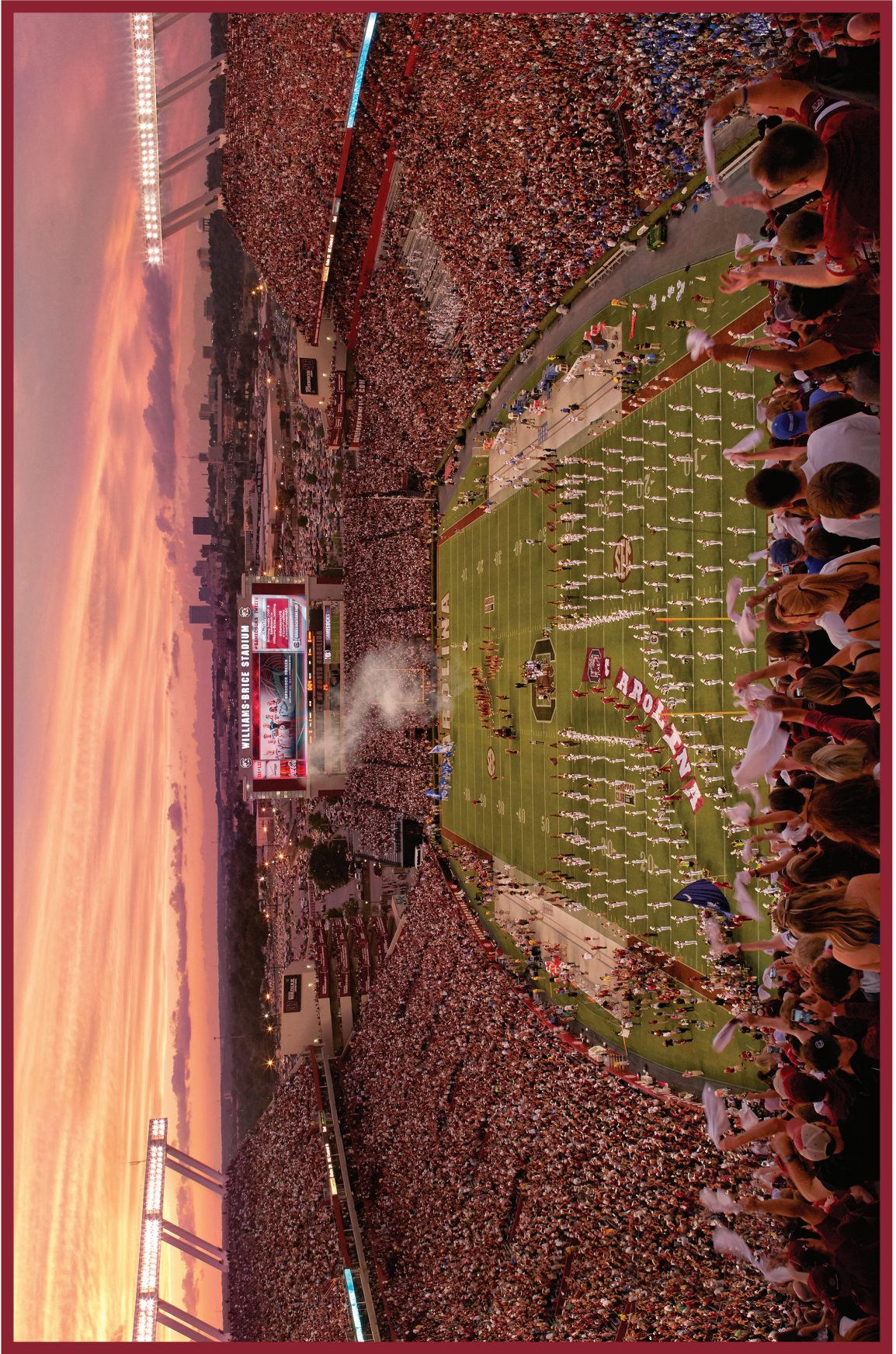
**OTHER RECEIPTS**

Admissions fees	3,515,850
Special student fees	1,764,679
Interest and other	<u>194,527</u>
Total other receipts	<u>5,475,056</u>

**Total funds available for debt service** \$ 19,613,033

<sup>(1)</sup> Excludes Admission fees





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# Statistical Section

(Unaudited)

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## UNIVERSITY OF SOUTH CAROLINA Statistical Section

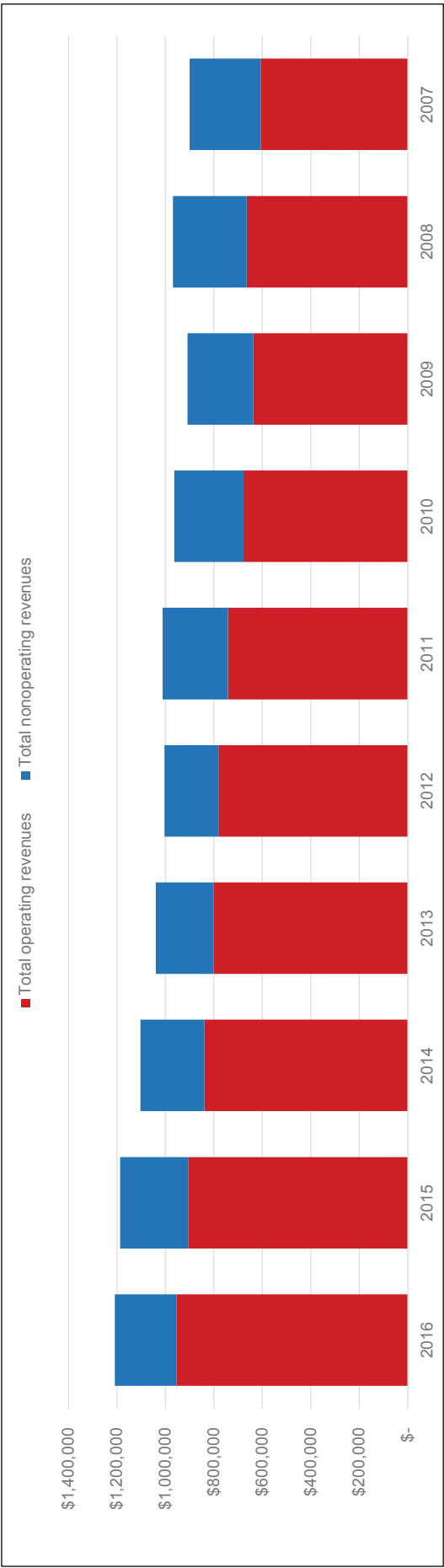
This section of the University of South Carolina Comprehensive Annual Financial Report presents detailed data as context for understanding and analyzing the information provided in the financial statements, note disclosures and required supplementary information. This supporting documentation conveys a broad perspective on the University's and State of South Carolina's financial condition.

<b>Contents</b>	<b>Pages</b>
<b>Financial Trends</b> .....	<b>94-101</b>
These schedules contain trend information to help the reader understand how the University's financial performance has changed over time.	
<b>Debt Capacity</b> .....	<b>102-103</b>
These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Operating Information</b> .....	<b>104-110</b>
These schedules contain information about the University's operations and resources to help the reader understand how the University's financial information relates to the services it provides.	
<b>Demographic and Economic Information</b> .....	<b>111-113</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place and to help make comparisons over time.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Financial Statements for the relevant years.

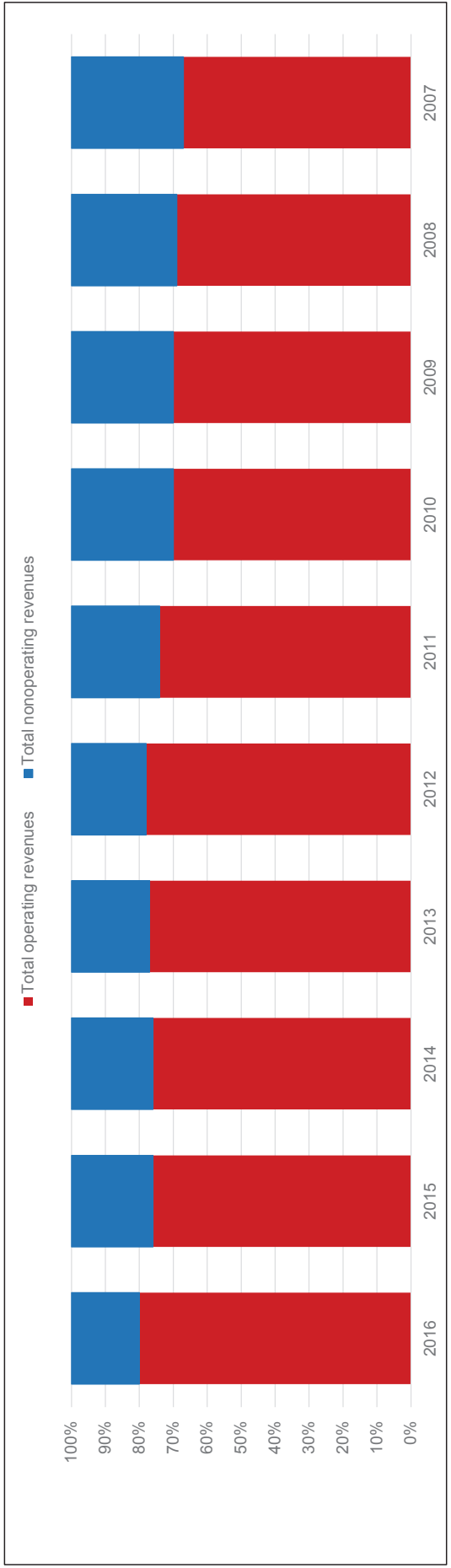
UNIVERSITY OF SOUTH CAROLINA  
Schedule of Revenues By Source  
Last Ten Fiscal Years  
(amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Student tuition and fees										
(net of scholarship allowances)	\$ 481,768	\$ 448,058	\$ 407,914	\$ 383,366	\$ 359,234	\$ 331,713	\$ 296,871	\$ 275,408	\$ 314,960	\$ 282,389
Federal grants and contracts	136,661	138,914	128,485	128,745	135,957	147,393	130,115	118,854	113,668	107,406
State grants and contracts	93,079	87,638	88,354	85,610	80,832	78,346	76,985	75,997	73,803	65,858
Local grants and contracts	1,365	1,208	1,167	1,329	1,337	1,439	1,245	1,061	960	774
Nongovernmental grants and contracts	32,854	36,704	38,818	34,932	38,481	26,027	26,196	26,988	28,606	25,471
Sales and services of educational and other activities	32,837	30,902	29,609	27,263	26,500	27,938	24,217	25,429	22,682	20,082
Sales and services of auxiliary enterprises										
(net of scholarship allowances)	161,143	146,693	131,836	128,220	125,215	116,176	110,315	102,288	99,436	92,736
Interest collected on student loans	295	305	333	301	328	309	303	253	224	224
Other fees	9,778	9,850	9,143	5,982	5,967	6,099	6,151	7,035	6,439	6,928
Other operating revenues	5,240	3,980	3,629	5,450	5,465	7,034	5,618	4,440	4,213	4,238
Total operating revenues	955,020	904,252	839,288	801,198	779,316	742,474	678,016	637,753	664,991	606,106
State appropriations	149,059	147,512	144,295	136,401	118,333	124,637	160,184	173,279	230,508	215,046
Federal grants	52,293	52,452	52,113	52,618	53,320	94,125	65,552	28,952	25,152	22,269
Gifts	42,160	45,548	46,444	43,918	38,401	37,967	42,086	53,780	37,848	45,754
Investment income	3,641	2,630	2,342	2,465	7,823	5,570	9,420	10,898	8,496	7,217
Endowment income	6,862	3,144	6,250	3,392	6,679	6,120	8,383	3,067	1,762	3,704
Other nonoperating revenues	-	31,500	12,270	-	-	14	14	-	-	-
Gain on disposal of capital assets	-	-	-	-	-	-	-	936	-	-
Total nonoperating revenues	254,015	282,786	263,714	238,794	224,556	268,433	285,639	270,912	303,766	293,990
<b>Total revenues</b>	<b>\$ 1,209,035</b>	<b>\$ 1,187,038</b>	<b>\$ 1,103,002</b>	<b>\$ 1,039,992</b>	<b>\$ 1,003,872</b>	<b>\$ 1,010,907</b>	<b>\$ 963,655</b>	<b>\$ 908,665</b>	<b>\$ 968,757</b>	<b>\$ 900,096</b>



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Revenues By Source**  
 Last Ten Fiscal Years  
 (percent of total revenues)

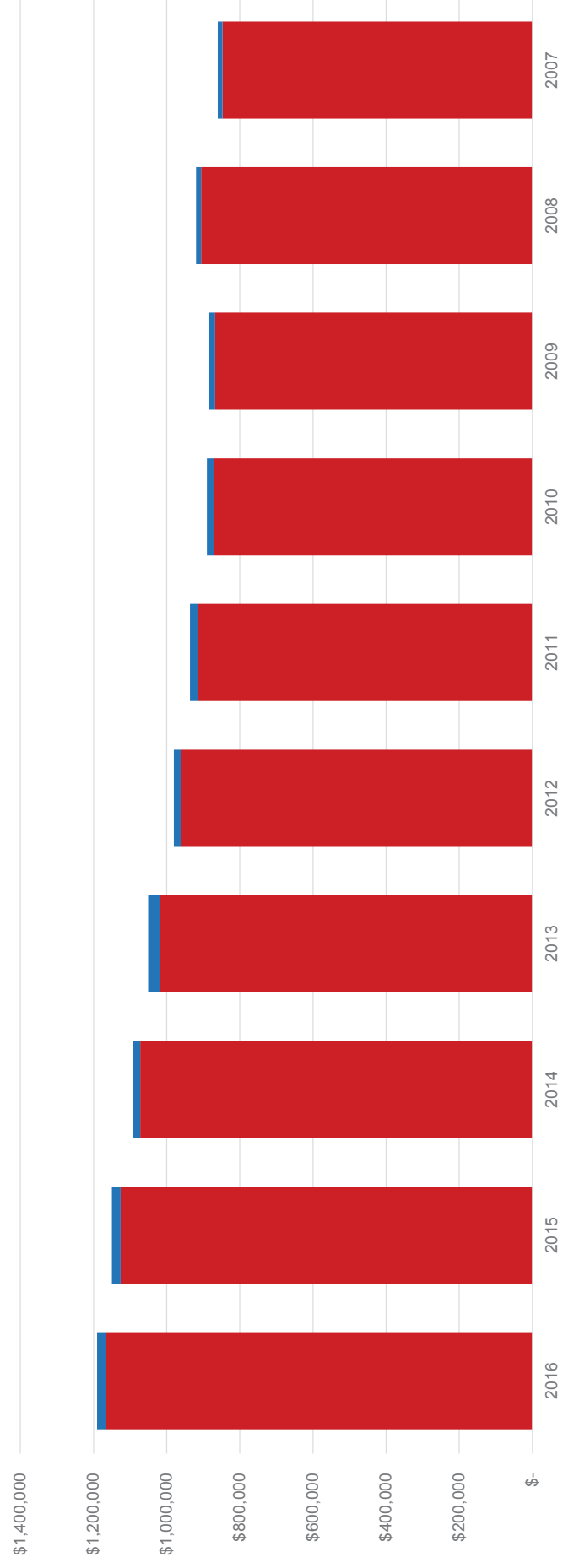
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Student tuition and fees										
(net of scholarship allowances)										
Federal grants and contracts	40%	38%	37%	37%	36%	33%	31%	30%	33%	31%
State grants and contracts	11%	12%	12%	12%	13%	15%	13%	13%	12%	12%
Local grants and contracts	8%	7%	8%	8%	8%	8%	8%	8%	8%	7%
State grants and contracts	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Nongovernmental grants and contracts	3%	3%	3%	3%	4%	2%	3%	3%	3%	3%
Sales and services of educational and other activities	3%	3%	3%	3%	3%	3%	2%	3%	2%	2%
Sales and services of auxiliary enterprises										
(net of scholarship allowances)	13%	12%	12%	12%	12%	11%	11%	11%	10%	10%
Interest collected on student loans	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other fees	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other operating revenues	1%	0%	0%	1%	1%	1%	1%	1%	0%	1%
<b>Total operating revenues</b>	<b>80%</b>	<b>76%</b>	<b>76%</b>	<b>77%</b>	<b>78%</b>	<b>74%</b>	<b>70%</b>	<b>70%</b>	<b>69%</b>	<b>67%</b>
State appropriations										
Federal grants	12%	13%	13%	14%	11%	12%	17%	19%	24%	24%
Gifts	4%	4%	5%	5%	5%	9%	7%	3%	2%	3%
Investment income	3%	4%	4%	4%	4%	4%	4%	6%	4%	5%
Endowment income	0%	0%	0%	0%	1%	0%	1%	1%	1%	1%
Other nonoperating revenues	1%	0%	1%	0%	1%	1%	1%	1%	0%	0%
Gain on disposal of capital assets	0%	3%	1%	0%	0%	0%	0%	0%	0%	0%
<b>Total nonoperating revenues</b>	<b>20%</b>	<b>24%</b>	<b>24%</b>	<b>23%</b>	<b>22%</b>	<b>26%</b>	<b>30%</b>	<b>30%</b>	<b>31%</b>	<b>33%</b>
<b>Total revenues</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Use**  
 Last Ten Fiscal Years  
 (amounts in thousands)

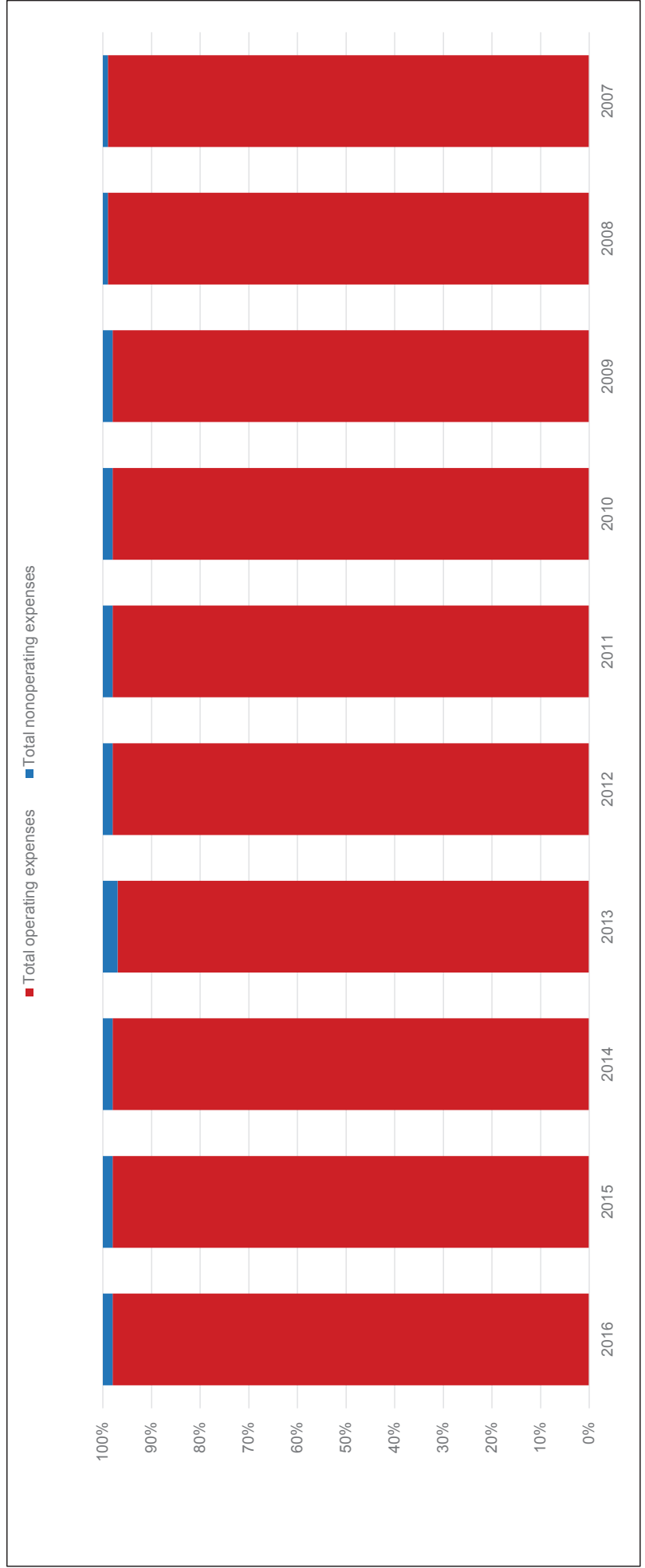
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Compensation and employee benefits	\$ 770,921	\$ 736,540	\$ 707,316	\$ 677,157	\$ 636,503	\$ 595,861	\$ 574,398	\$ 574,690	\$ 575,610	\$ 529,085
Services and supplies	278,641	269,855	248,900	235,707	223,142	216,733	197,044	202,315	187,876	186,502
Utilities	34,526	34,936	34,605	31,090	29,515	29,803	28,061	26,938	26,601	24,703
Scholarships and fellowships	21,756	17,952	18,946	19,960	20,206	21,792	21,378	17,129	74,854	63,858
Depreciation	60,566	66,354	62,340	53,334	51,253	50,819	49,324	46,495	40,889	42,769
<b>Total operating expenses</b>	<b>1,166,410</b>	<b>1,125,637</b>	<b>1,072,107</b>	<b>1,017,248</b>	<b>960,619</b>	<b>915,008</b>	<b>870,205</b>	<b>867,567</b>	<b>905,830</b>	<b>846,917</b>
Loss on disposal of capital assets	136	2,249	720	14,313	575	1,760	717	-	777	716
Interest on capital asset related debt	23,881	22,178	18,648	18,762	19,025	19,579	19,040	16,154	12,800	12,492
Other nonoperating expenses	-	-	-	-	-	-	-	4	-	-
<b>Total nonoperating expenses</b>	<b>24,017</b>	<b>24,427</b>	<b>19,368</b>	<b>33,075</b>	<b>19,600</b>	<b>21,339</b>	<b>19,757</b>	<b>16,158</b>	<b>13,577</b>	<b>13,208</b>
<b>Total expenses</b>	<b>\$ 1,190,427</b>	<b>\$ 1,150,064</b>	<b>\$ 1,091,475</b>	<b>\$ 1,050,323</b>	<b>\$ 980,219</b>	<b>\$ 936,347</b>	<b>\$ 889,962</b>	<b>\$ 883,725</b>	<b>\$ 919,407</b>	<b>\$ 860,125</b>

■ Total operating expenses ■ Total nonoperating expenses



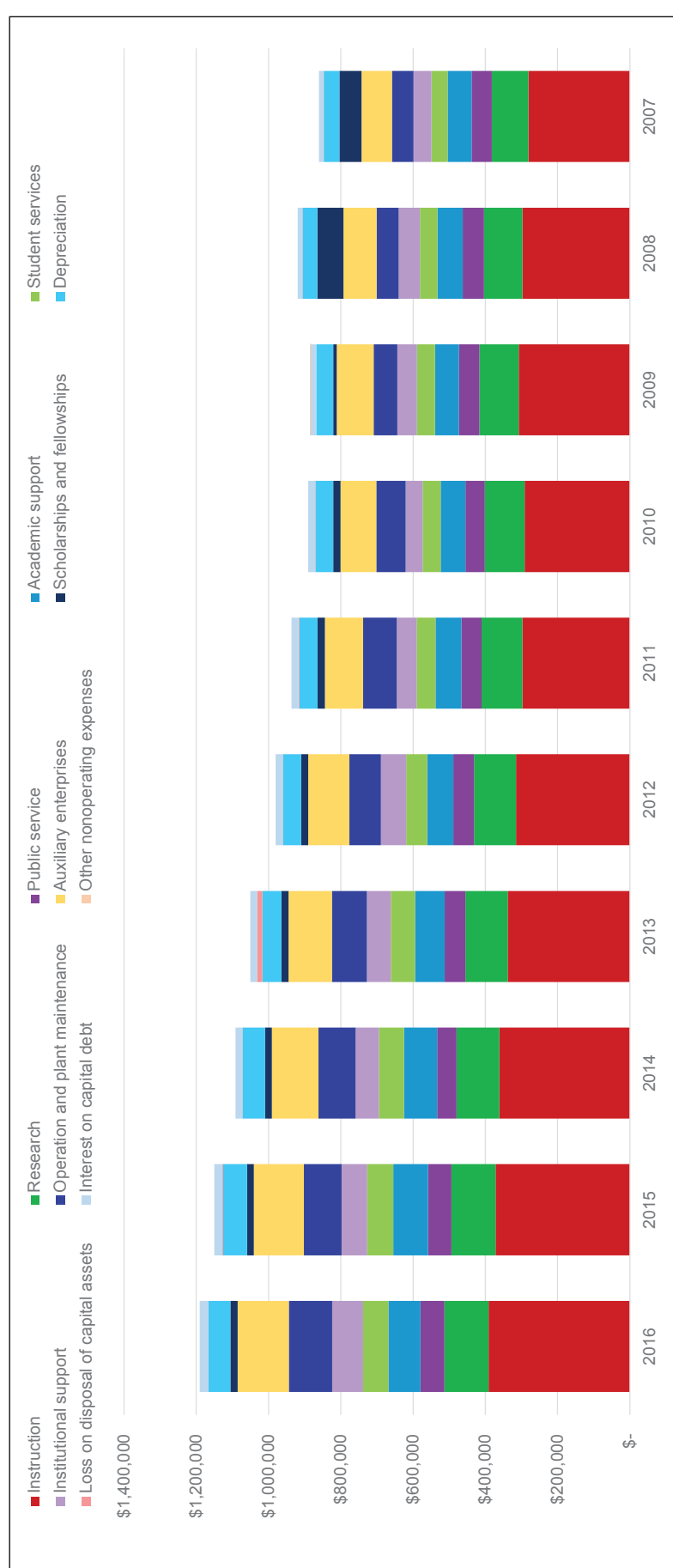
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Use**  
 Last Ten Fiscal Years  
 (percent of total revenues)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Compensation and employee benefits	65%	64%	65%	65%	65%	64%	65%	65%	63%	62%
Services and supplies	23%	23%	23%	22%	23%	23%	22%	23%	20%	22%
Utilities	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Scholarships and fellowships	2%	2%	2%	2%	2%	2%	2%	2%	8%	7%
Depreciation	5%	6%	5%	5%	5%	6%	6%	5%	5%	5%
<b>Total operating expenses</b>	<b>98%</b>	<b>98%</b>	<b>98%</b>	<b>97%</b>	<b>98%</b>	<b>98%</b>	<b>98%</b>	<b>98%</b>	<b>99%</b>	<b>99%</b>
Loss on disposal of capital assets	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Interest on capital asset related debt	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
Other nonoperating expenses	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total nonoperating expenses</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>
<b>Total expenses</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



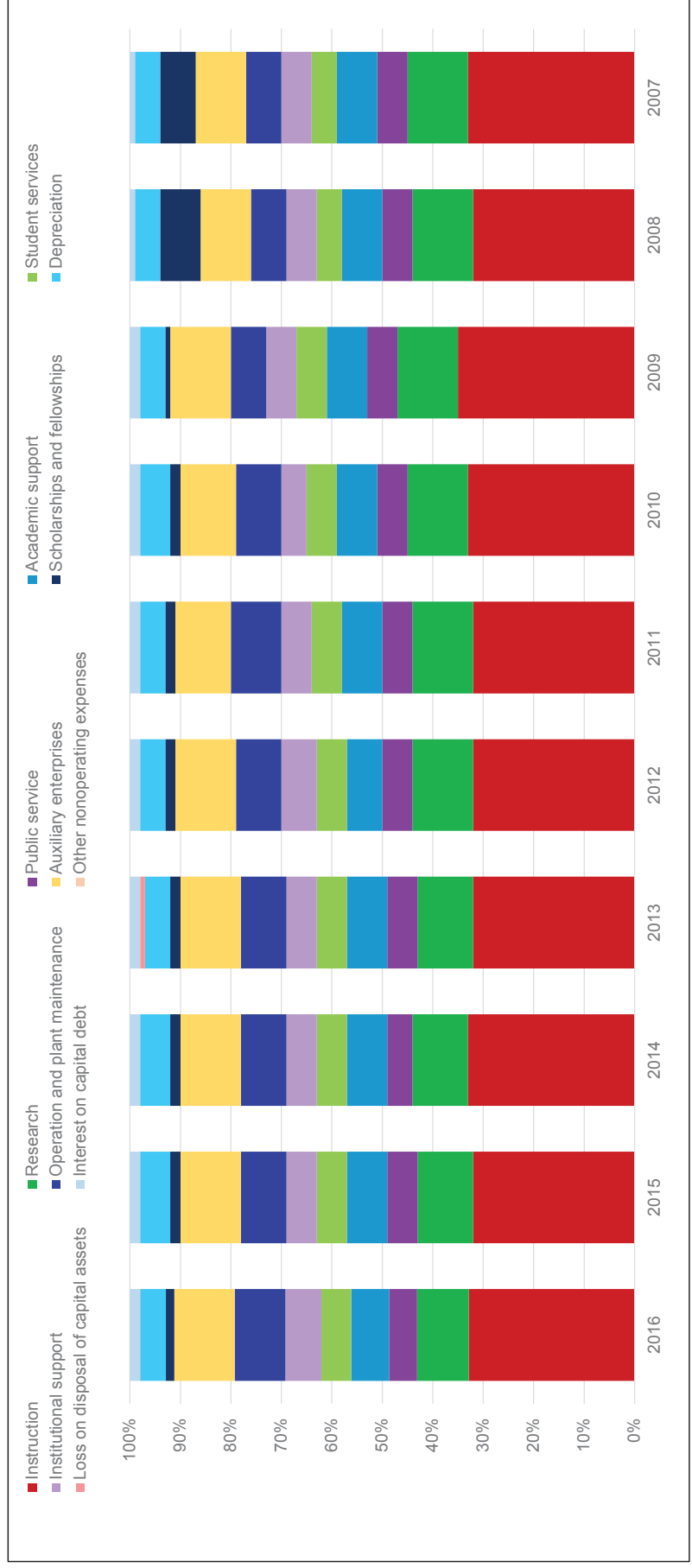
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Function**  
 Last Ten Fiscal Years  
 (amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Instruction	\$ 390,960	\$ 371,938	\$ 361,122	\$ 338,336	\$ 315,093	\$ 296,837	\$ 291,267	\$ 307,708	\$ 297,188	\$ 280,626
Research	121,960	121,913	118,274	117,024	116,169	113,563	109,769	108,456	106,506	101,333
Public service	66,361	64,519	54,273	57,162	57,305	55,876	53,664	57,125	58,835	55,724
Academic support	88,993	96,061	91,081	82,072	71,975	71,651	68,890	65,885	69,991	66,280
Student services	70,329	72,617	69,469	67,066	58,241	52,225	50,011	49,844	48,821	44,940
Institutional support	85,436	71,061	64,981	65,870	70,397	54,839	47,090	54,638	58,453	49,788
Operation and plant maintenance	119,626	104,374	103,108	97,133	86,999	93,328	81,146	65,453	60,896	59,964
Auxiliary enterprises	142,146	138,552	128,388	119,908	114,216	105,454	98,964	102,344	92,027	84,104
Scholarships and fellowships	20,033	18,248	19,071	19,343	18,971	20,416	20,080	9,619	72,224	61,389
Depreciation	60,566	66,354	62,340	53,334	51,253	50,819	49,324	46,495	40,889	42,769
Loss on disposal of capital assets	136	2,249	720	14,313	575	1,760	717	-	777	716
Interest on capital debt	23,881	22,178	18,648	18,762	19,025	19,579	19,040	16,154	12,800	12,492
Other nonoperating expenses	-	-	-	-	-	-	-	4	-	-
<b>Total expenses</b>	<b>\$ 1,190,427</b>	<b>\$ 1,150,064</b>	<b>\$ 1,091,475</b>	<b>\$ 1,050,323</b>	<b>\$ 980,219</b>	<b>\$ 936,347</b>	<b>\$ 889,962</b>	<b>\$ 883,725</b>	<b>\$ 919,407</b>	<b>\$ 860,125</b>



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Expenses By Function**  
 Last Ten Fiscal Years  
 (percent of total expenses)

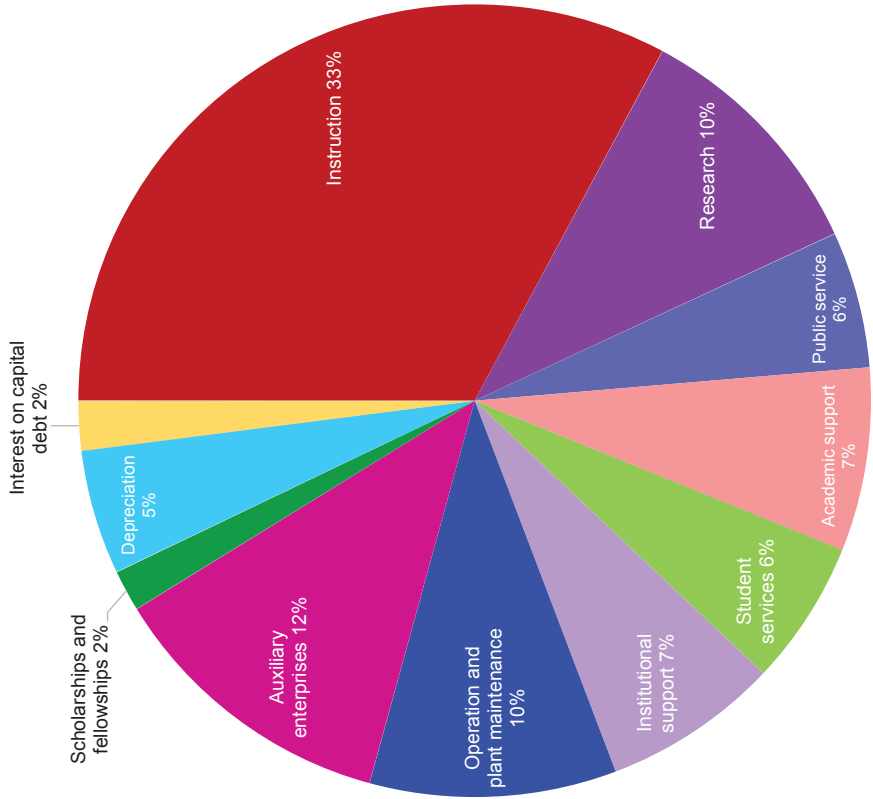
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Instruction	33%	32%	33%	32%	32%	32%	33%	35%	32%	33%
Research	10%	11%	11%	11%	12%	12%	12%	12%	12%	12%
Public service	6%	6%	5%	6%	6%	6%	6%	6%	6%	6%
Academic support	7%	8%	8%	8%	7%	8%	8%	8%	8%	8%
Student services	6%	6%	6%	6%	6%	6%	6%	6%	5%	5%
Institutional support	7%	6%	6%	9%	7%	6%	5%	6%	6%	6%
Operation and plant maintenance	10%	9%	9%	12%	9%	10%	9%	7%	7%	7%
Auxiliary enterprises	12%	12%	12%	12%	12%	11%	11%	12%	10%	10%
Scholarships and fellowships	2%	2%	2%	2%	2%	2%	2%	1%	8%	7%
Depreciation	5%	6%	6%	5%	5%	5%	6%	5%	5%	5%
Loss on disposal of capital assets	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Interest on capital debt	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
Other nonoperating expenses	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total expenses</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



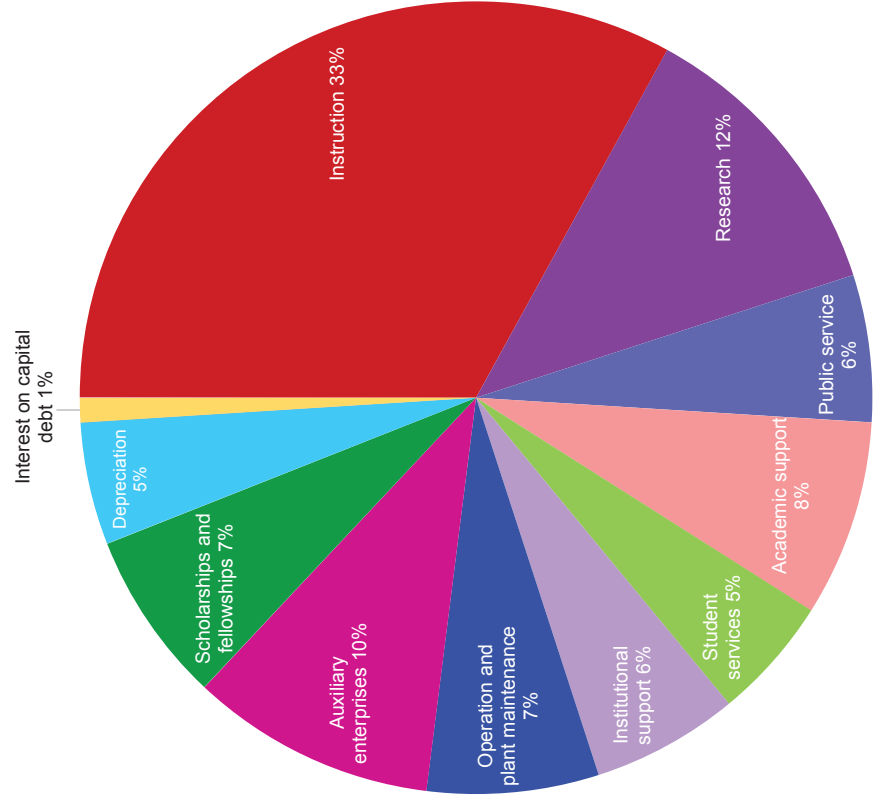


UNIVERSITY OF SOUTH CAROLINA  
Schedule of Expenses By Function  
Current Fiscal Year and Nine Years Prior  
(percent of total expenses)

2016



2007



**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Net Position and Changes in Net Position**  
Last Ten Fiscal Years  
(amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total revenues (from schedule of revenues by source)	\$ 1,209,035	\$ 1,187,038	\$ 1,103,002	\$ 1,039,992	\$ 1,003,872	\$ 1,010,907	\$ 963,655	\$ 908,665	\$ 968,757	\$ 900,096
Total expenses (from schedule of expenses by use and function)	(1,190,427)	(1,150,064)	(1,091,475)	(1,050,323)	(980,219)	(936,347)	(889,962)	(883,725)	(919,407)	(860,125)
Income (loss) before other revenues, and transfers	18,608	36,974	11,527	(10,331)	23,653	74,560	73,693	24,940	49,350	39,971
State capital appropriations	23,681	8,175	13,810	11,430	2,585	2,082	7,631	8,496	18,380	28,278
Capital grants and gifts	3,466	26,654	10,555	8,007	11,416	5,256	9,824	28,949	2,501	11,741
Additions to permanent endowments	361	2,970	4,725	1,674	5,384	18,090	6,446	17,594	101	6,537
Transfers to other state funds, net	-	-	-	-	(1,468)	(1,694)	(1,296)	(1,237)	(1,329)	(1,338)
Total changes in net position	46,116	74,773	40,617	10,780	41,570	98,294	96,298	78,742	69,003	85,189
Net position, beginning, as originally stated	625,661	1,254,637	1,214,020	1,203,240	1,161,670	1,063,376	967,078	888,336	819,333	734,144
Restatement	-	(703,749)	-	-	-	-	-	-	-	-
Net position, beginning, as restated	625,661	550,888	1,214,020	1,203,240	1,161,670	1,063,376	967,078	888,336	819,333	734,144
<b>Net position, ending</b>	<b>\$ 671,777</b>	<b>\$ 625,661</b>	<b>\$ 1,254,637</b>	<b>\$ 1,214,020</b>	<b>\$ 1,203,240</b>	<b>\$ 1,161,670</b>	<b>\$ 1,063,376</b>	<b>\$ 967,078</b>	<b>\$ 888,336</b>	<b>\$ 819,333</b>
Net investment in capital assets	757,731	747,327	701,292	671,053	569,666	592,929	596,114	597,305	533,500	538,158
Restricted - nonexpendable	82,789	82,077	79,285	73,766	72,136	66,491	48,148	41,080	24,470	25,452
Restricted - expendable	140,036	129,704	137,629	121,396	200,308	140,672	92,909	70,678	67,378	41,062
Unrestricted	(308,779)	(333,447)	336,431	347,805	361,130	361,578	326,205	258,015	262,988	214,661
<b>Total</b>	<b>\$ 671,777</b>	<b>\$ 625,661</b>	<b>\$ 1,254,637</b>	<b>\$ 1,214,020</b>	<b>\$ 1,203,240</b>	<b>\$ 1,161,670</b>	<b>\$ 1,063,376</b>	<b>\$ 967,078</b>	<b>\$ 888,336</b>	<b>\$ 819,333</b>

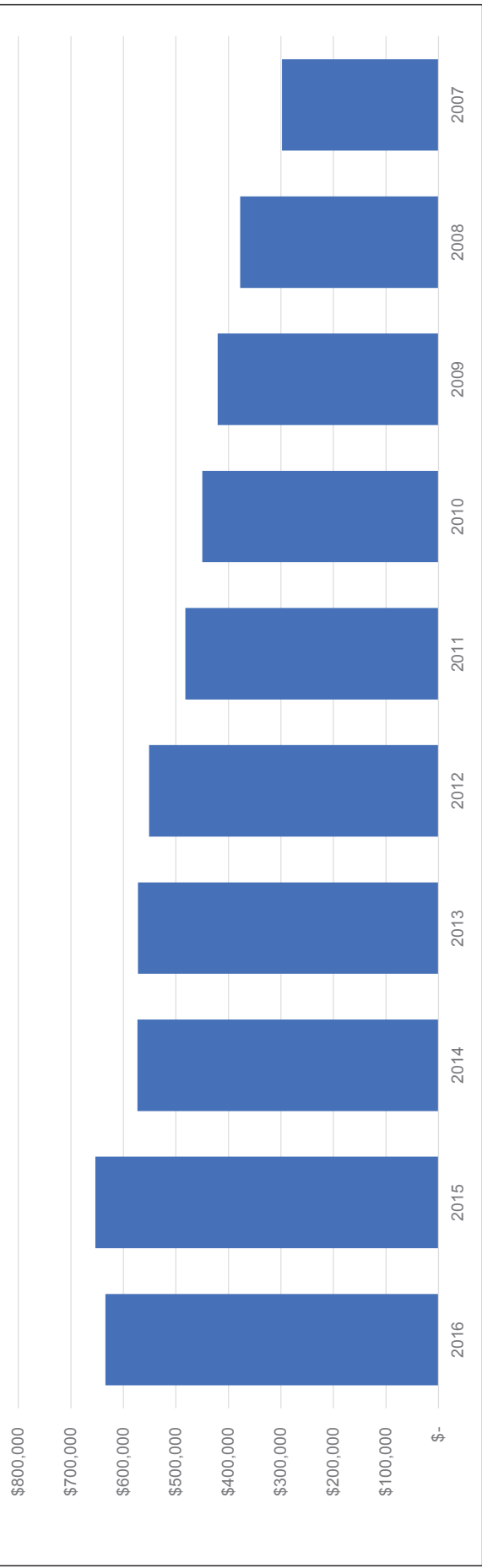
UNIVERSITY OF SOUTH CAROLINA  
Schedule of Ratios of Outstanding Debt

Last Ten Fiscal Years

(amounts in thousands except for the FTE students and outstanding debt per student)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
State institution bonds	\$ 147,990	\$ 159,830	\$ 116,035	\$ 109,355	\$ 117,715	\$ 128,435	\$ 112,130	\$ 118,800	\$ 116,270	\$ 122,015
Revenue bonds	272,520	280,065	288,140	295,415	264,725	212,100	218,320	195,300	170,370	109,640
Athletic facilities revenue bonds	151,270	154,750	119,250	121,915	124,450	112,700	47,175	48,130	48,965	19,530
Bond anticipation notes payable	-	-	-	-	-	-	17,600	19,600	-	4,500
Subtotal bonds payable	571,780	594,645	523,425	526,685	506,890	453,235	395,225	381,830	335,605	255,685
Unamortized bond premiums	48,022	43,472	33,459	33,906	31,725	14,401	5,129	3,708	3,875	974
Unamortized bond discounts	(571)	(600)	(628)	(657)	(685)	(461)	(479)	(508)	(45)	(57)
Unamortized loss on bond refunding <sup>(1)</sup>	-	-	-	(5,208)	(5,604)	(3,829)	(2,221)	(2,358)	(2,494)	(2,631)
Total bonds payable	619,231	637,517	556,256	554,726	532,326	463,346	397,654	382,672	336,941	253,971
Notes payable	190	265	399	604	1,467	1,424	34,267	37,785	40,289	43,648
Capital lease obligation	14,824	15,845	16,590	16,697	17,291	17,448	17,942	-	208	326
<b>Total outstanding debt</b>	<b>\$ 634,245</b>	<b>\$ 653,627</b>	<b>\$ 573,245</b>	<b>\$ 572,027</b>	<b>\$ 551,084</b>	<b>\$ 482,218</b>	<b>\$ 449,863</b>	<b>\$ 420,457</b>	<b>\$ 377,438</b>	<b>\$ 297,945</b>
Full time equivalent students	44,229	43,167	42,065	41,097	40,475	39,592	37,965	36,374	35,179	34,050
Outstanding debt per student	\$ 14,340	\$ 15,142	\$ 13,628	\$ 13,919	\$ 13,615	\$ 12,180	\$ 11,849	\$ 11,559	\$ 10,729	\$ 8,750

Total Outstanding Debt



Note: Outstanding debt per student calculated using Fall semester full-time equivalent student enrollment data for the last ten academic years.  
Source: USC annual Bond Indebtedness reports, annual reports on Financial Statements, and USC Institutional Assessment & Compliance Office.  
<sup>(1)</sup> Due to the implementation of GASB 65, Unamortized Loss on Bond Refunding is no longer reported as part of the Bonds Payable liability. Beginning in fiscal year 2014, it is now classified as a Deferred Outflow of Resources on the Statement of Net Position.

**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Bond Coverage**  
 Last Ten Fiscal Years  
 (amounts in thousands)

<b>State Institution Bonds</b>		<b>Debt Service Requirements</b>						
<b>Fiscal Year Ended June 30,</b>	<b>Tuition and Matriculation Fees</b>	<b>Total Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Other Fees</b>	<b>Total</b>	<b>Coverage Ratio</b>	
2016	\$ 31,865	\$ 31,865	\$ 11,840	\$ 6,525	\$ 223	\$ 18,588	1.71	
2015	30,034	30,034	9,395	5,259	196	14,850	2.02	
2014	28,810	28,810	8,510	4,600	4	13,114	2.20	
2013	27,778	27,778	8,360	4,939	19	13,318	2.09	
2012	26,111	26,111	8,255	4,955	103	13,313	1.96	
2011	23,638	23,638	6,920	4,987	93	12,000	1.97	
2010	23,074	23,074	6,670	5,229	2	11,901	1.94	
2009	21,688	21,688	6,020	5,466	3	11,489	1.89	
2008	19,121	19,121	5,745	5,431	2	11,178	1.71	
2007	18,584	18,584	6,660	4,808	-	11,468	1.62	

<b>Athletic Facilities Revenue Bonds</b>		<b>Debt Service Requirements</b>						
<b>Fiscal Year Ended June 30,</b>	<b>Athletic Revenues</b>	<b>Athletic Operating Expenses &amp; Mandatory Transfers</b>	<b>Net Athletic Revenues</b>	<b>Special Student Fee</b>	<b>Admissions Fees</b>	<b>Interest Earnings &amp; Miscellaneous</b>	<b>Total Revenue Available for Debt Service</b>	<b>Coverage Ratio</b>
2016	\$ 120,086	\$ 105,948	\$ 14,138	\$ 1,765	\$ 3,516	\$ 194	\$ 19,613	1.82
2015	110,243	98,989	11,254	1,724	4,027	126	17,131	2.00
2014	98,620	89,014	9,606	1,691	4,072	161	15,530	1.87
2013	90,484	79,611	10,873	1,585	1,695	214	14,367	1.73
2012	87,608	79,628	7,980	1,551	1,709	262	11,502	1.50
2011	84,010	70,511	13,499	1,491	1,754	277	17,021	2.62
2010	79,879	62,970	16,909	1,498	1,803	362	20,572	3.52
2009	76,117	62,870	13,247	1,391	2,060	415	17,113	4.69
2008	66,546	56,646	9,900	1,316	2,024	101	13,341	2.20
2007	60,591	51,634	8,957	1,291	2,086	100	12,434	3.08

<b>Revenue Bonds</b>		<b>Debt Service Requirements</b>						
<b>Fiscal Year Ended June 30,</b>	<b>Revenues</b>	<b>Operating Expenses</b>	<b>Net Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Other Fees</b>	<b>Total</b>	<b>Coverage Ratio</b>
2016	\$ 64,576	\$ 37,074	\$ 27,502	\$ 6,180	\$ 10,345	\$ 200	\$ 16,725	1.64
2015	62,249	36,441	25,808	8,075	10,451	3	18,529	1.39
2014	58,008	33,586	24,422	7,275	10,861	3	18,139	1.35
2013	54,711	31,895	22,816	6,495	9,398	6	15,899	1.44
2012	53,705	30,519	23,186	6,505	9,731	140	16,376	1.42
2011	49,345	29,438	19,907	6,220	10,071	5	16,296	1.22
2010	48,667	29,582	19,085	5,490	9,079	3	14,572	1.31
2009	43,764	25,675	18,089	3,990	8,241	2	12,233	1.48
2008	40,385	23,452	16,933	3,605	5,361	6	8,972	1.89
2007	37,736	21,285	16,451	3,465	4,960	4	8,429	1.95

<b>Special Revenue Bonds</b>		<b>Debt Service Requirements</b>						
<b>Fiscal Year Ended June 30,</b>	<b>Revenues</b>	<b>Additional Funds</b>	<b>Net Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Other Fees</b>	<b>Total</b>	<b>Coverage Ratio</b>
2016	\$ 68,807	\$ 751,413	\$ 820,220	\$ 1,945	\$ 3,008	\$ 2	\$ 4,955	165.53
2015	74,263	699,171	773,434	-	3,018	2	3,020	256.10
2014	73,562	642,077	715,639	-	3,018	2	3,020	236.97
2013	67,284	610,187	677,471	-	3,018	-	3,018	224.48
2012	70,425	579,634	650,059	-	159	-	159	4,088.42

**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Capital Asset Information**  
 Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Assignable Area By Room Use/Function Use Codes <sup>(1)</sup></b>										
Classrooms	432,238	485,392	433,447	468,616	418,613	414,930	418,832	407,832	406,683	403,166
Laboratories	1,078,722	1,034,664	950,490	982,770	983,826	983,594	967,433	923,919	919,989	905,021
Office, Support and Other	4,042,039	4,448,249	4,306,921	4,193,336	4,164,334	4,240,663	4,054,742	4,014,410	3,884,131	3,876,890
Auxiliary Services	4,296,138	3,872,022	3,865,428	3,627,060	3,589,702	4,213,104	4,120,283	3,970,535	3,992,422	3,950,146
<b>Total Assignable Square Feet</b>	<b>9,849,137</b>	<b>9,840,327</b>	<b>9,556,286</b>	<b>9,271,782</b>	<b>9,156,475</b>	<b>9,852,291</b>	<b>9,561,290</b>	<b>9,316,696</b>	<b>9,203,225</b>	<b>9,135,223</b>
<b>Student Housing <sup>(2)</sup></b>										
Traditional Residence Hall Beds	1,172	1,172	1,206	1,521	1,481	1,481	2,086	2,082	2,179	2,191
Suite-Style Hall Beds	3,295	3,295	3,299	2,982	2,972	2,416	2,420	1,883	1,887	1,887
Apartments and Apartment-Style Hall Beds	2,215	2,215	2,198	2,277	2,269	2,274	2,274	2,274	2,271	2,275
Units available	6,682	6,682	6,703	6,780	6,722	6,171	6,780	6,239	6,337	6,353
Units in use	6,643	6,593	6,539	6,739	6,658	6,218	6,303	6,185	6,154	6,294
Percent occupancy	99.4%	98.7%	97.6%	99.4%	99.0%	100.8%	93.0%	99.1%	97.1%	99.1%
<b>Dining Facilities <sup>(3)</sup></b>										
Locations	27	26	26	28	27	26	27	26	25	25
Average daily customers	18,664	18,557	12,776	15,667	13,902	14,283	13,937	13,815	13,158	12,988
<b>Parking Facilities <sup>(4)</sup></b>										
Parking spaces available	14,509	14,519	15,058	15,509	15,801	16,822	16,822	16,822	14,447	13,959
Parking permits issued to students	15,982	16,523	18,522	17,049	18,085	17,533	16,742	16,380	16,102	15,486
Parking permits issued to faculty/staff	7,211	7,283	6,594	6,112	6,244	5,853	5,833	5,811	5,778	5,774

(1) Assignable Area by Room Use and Function Use Codes as annually reported to the South Carolina Commission on Higher Education. This is a combination of two reports.

(2) Student Housing is available on the USC Columbia, USC Aiken, USC Beaufort and USC Upstate campuses. All of USC Beaufort and a portion of USC Upstate are outsourced. This reporting is USC Columbia only.

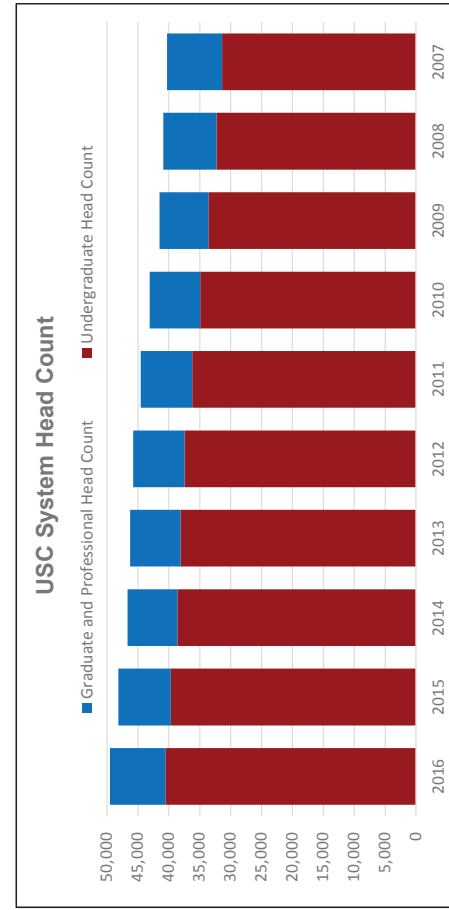
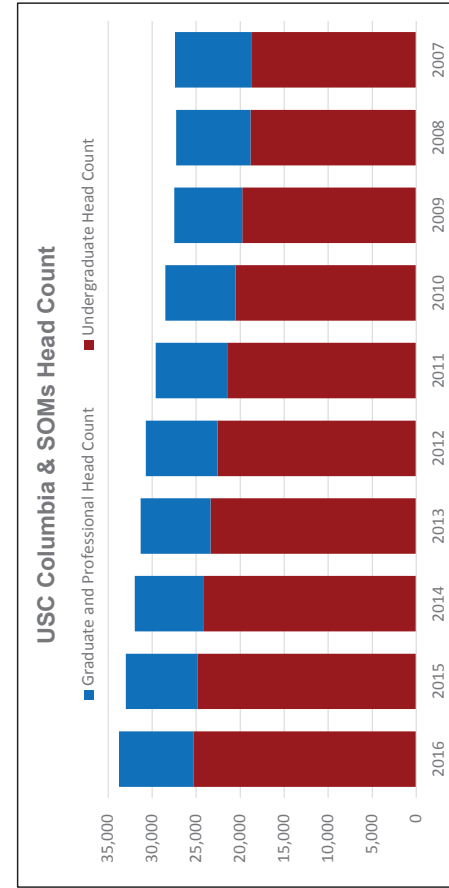
(3) Dining Student Housing bed count does not include 743 beds in the Greek Village. These facilities are on leased University land, but the facilities are not assets of the University.

(4) Dining Facilities are available on the USC Columbia, USC Aiken, USC Beaufort, and USC Upstate campuses. All dining facilities are outsourced. This reporting is USC Columbia only.

(5) Parking Facilities are available on all USC campuses. Only USC Columbia treats parking operations as an auxiliary enterprise. This reporting is USC Columbia only.

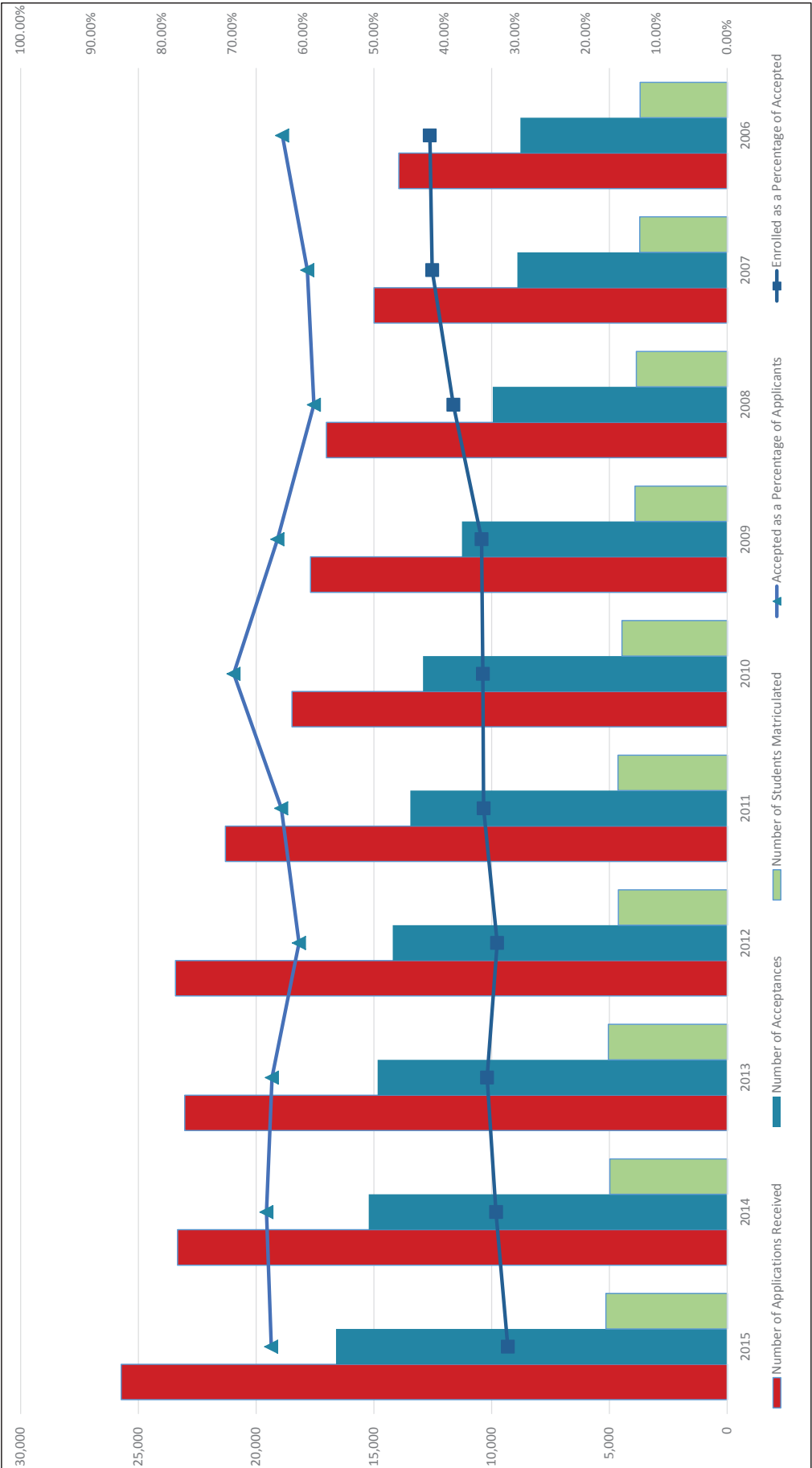
**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Enrollment Statistics**  
 Last Ten Academic Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>USC Columbia (including the SOMs)</b>										
Undergraduate Head Count	25,254	24,864	24,180	23,363	22,556	21,383	20,494	19,765	18,827	18,648
Graduate and Professional Head Count	8,518	8,108	7,784	7,925	8,165	8,214	7,987	7,723	8,445	8,742
Total Enrollment Head Count	33,772	32,972	31,964	31,288	30,721	29,597	28,481	27,488	27,272	27,390
Percentage of Men	45.02%	44.80%	44.86%	44.79%	44.73%	44.70%	44.54%	43.83%	42.64%	42.00%
Percentage of Women	54.98%	55.20%	55.14%	55.21%	55.27%	55.30%	55.46%	56.17%	57.36%	58.00%
Percentage of White	73.84%	73.94%	73.92%	74.88%	74.89%	75.36%	75.01%	71.32%	70.49%	69.93%
Percentage of African American or Black	10.05%	10.43%	10.56%	11.08%	11.20%	10.95%	10.98%	11.67%	12.71%	13.13%
Percentage of Other Race and Not Reported	16.11%	15.63%	15.52%	14.04%	13.91%	13.69%	14.01%	17.01%	16.80%	16.94%
Undergraduate FTE	25,092	24,580	23,790	22,890	22,167	21,130	20,156	19,463	18,422	17,851
Graduate and Professional FTE	6,396	6,179	5,974	5,891	5,917	6,020	5,784	5,614	5,768	5,916
Total Enrollment FTE	31,488	30,759	29,764	28,781	28,084	27,150	25,940	25,077	24,190	23,767
<b>USC System</b>										
Undergraduate Head Count	40,569	39,683	38,627	38,118	37,451	36,220	34,934	33,577	32,294	31,378
Graduate and Professional Head Count	8,982	8,484	8,045	8,146	8,323	8,337	8,166	7,941	8,605	8,915
Total Enrollment Head Count	49,551	48,167	46,672	46,264	45,774	44,557	43,100	41,518	40,899	40,293
Percentage of Men	42.44%	42.55%	42.62%	42.07%	42.06%	41.75%	41.76%	41.23%	40.16%	39.53%
Percentage of Women	57.56%	57.45%	57.38%	57.93%	57.94%	58.25%	58.24%	58.77%	59.84%	60.47%
Percentage of White	68.22%	68.34%	68.45%	68.94%	69.38%	69.67%	69.73%	67.95%	67.87%	67.51%
Percentage of African American or Black	14.56%	14.91%	15.16%	15.72%	16.24%	16.05%	15.58%	16.37%	16.86%	17.35%
Percentage of Other Race and Not Reported	17.22%	16.75%	16.39%	15.34%	14.38%	14.28%	14.69%	15.68%	15.27%	15.14%
Undergraduate FTE	37,692	36,840	36,009	35,122	34,491	33,516	32,119	30,689	29,351	28,071
Graduate and Professional FTE	6,537	6,327	6,056	5,975	5,984	6,076	5,846	5,685	5,828	5,979
Total Enrollment FTE	44,229	43,167	42,065	41,097	40,475	39,592	37,965	36,374	35,179	34,050



UNIVERSITY OF SOUTH CAROLINA COLUMBIA  
Schedule of Admissions Statistics  
Last Ten Academic Years

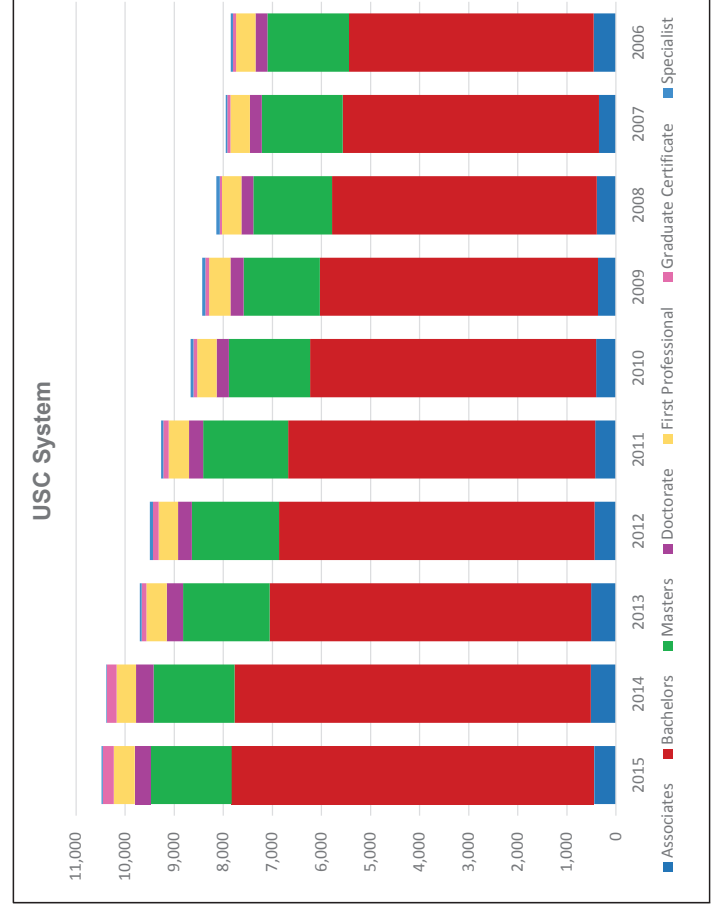
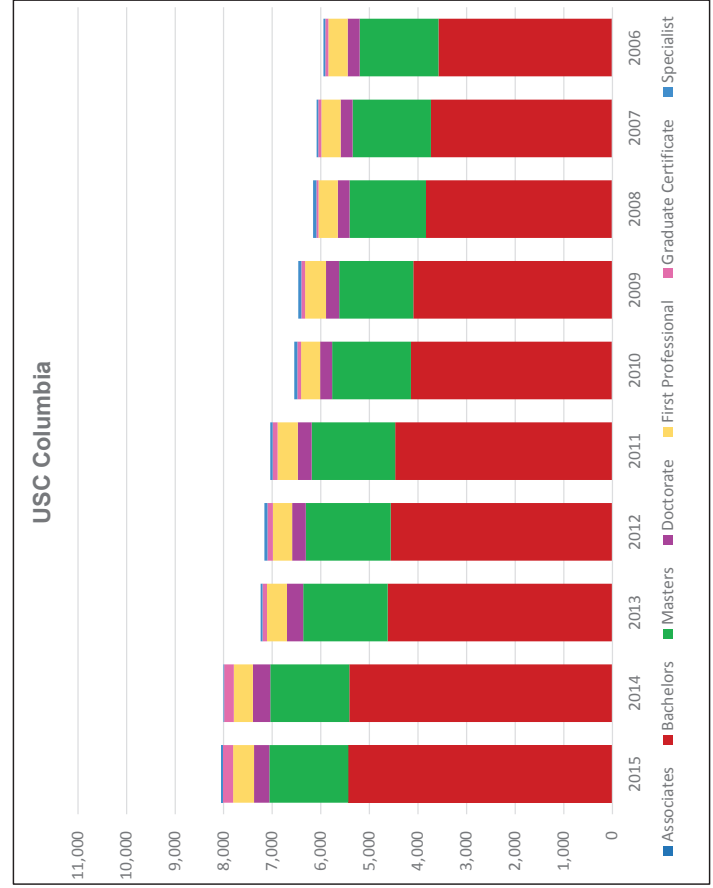
USC Columbia	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of Applications Received	25,736	23,341	23,035	23,429	21,311	18,485	17,698	17,018	14,994	13,946
Number of Acceptances	16,611	15,219	14,844	14,199	13,451	12,914	11,264	9,954	8,908	8,782
Number of Students Matriculated	5,156	4,980	5,046	4,625	4,636	4,468	3,917	3,859	3,719	3,697
Accepted as a Percentage of Applicants	64.54%	65.20%	64.44%	60.60%	63.12%	69.86%	63.65%	58.49%	59.41%	62.97%
Enrolled as a Percentage of Accepted	31.04%	32.72%	33.99%	32.57%	34.47%	34.60%	34.77%	38.77%	41.75%	42.10%
Median Combined SAT Score	1210	1210	1207	1199	1190	1187	1192	1191	1183	1172





**UNIVERSITY OF SOUTH CAROLINA**  
**Schedule of Degree Data**  
 Last Ten Academic Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>USC Columbia (including the SOMs)</b>										
Associates	16				6	8	5	11	11	8
Bachelors	5,416	5,412	4,622	4,556	4,462	4,135	4,092	3,823	3,725	3,571
Masters	1,628	1,623	1,735	1,749	1,719	1,623	1,525	1,574	1,612	1,622
Doctorate	317	358	334	279	289	249	270	243	244	246
First Professional	431	393	414	395	414	394	433	396	397	396
Graduate Certificate	225	199	92	112	103	76	77	47	66	64
Specialist	24	15	40	63	48	61	64	68	31	39
<b>Total Degrees Awarded</b>	<b>8,057</b>	<b>8,004</b>	<b>7,241</b>	<b>7,161</b>	<b>7,041</b>	<b>6,546</b>	<b>6,466</b>	<b>6,162</b>	<b>6,086</b>	<b>5,946</b>
<b>USC System</b>										
Associates	446	513	505	436	424	403	370	394	351	455
Bachelors	7,384	7,256	6,552	6,430	6,254	5,830	5,666	5,390	5,215	4,984
Masters	1,654	1,653	1,761	1,776	1,734	1,655	1,551	1,603	1,649	1,662
Doctorate	317	358	334	279	289	249	270	243	244	246
First Professional	431	393	414	395	414	394	433	396	397	396
Graduate Certificate	226	199	94	115	105	76	79	47	66	64
Specialist	24	15	40	63	48	61	64	68	31	39
<b>Total Degrees Awarded</b>	<b>10,482</b>	<b>10,387</b>	<b>9,700</b>	<b>9,494</b>	<b>9,268</b>	<b>8,668</b>	<b>8,433</b>	<b>8,141</b>	<b>7,953</b>	<b>7,846</b>



UNIVERSITY OF SOUTH CAROLINA  
Faculty and Staff Statistics  
Last Ten Academic Years

Faculty <sup>(1)</sup>	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>USC Columbia (including the SOMs)</b>										
Number of FTE Faculty	2,618	2,359	2,360	2,037	1,976	1,893	1,861	1,931	1,876	1,841
Number of Full-time Faculty	1,760	1,788	1,732	1,635	1,598	1,517	1,525	1,576	1,524	1,621
Number of Part-time Faculty	883	885	706	632	581	568	533	557	580	649
Number of Tenured Faculty	1,199	1,210	1,178	1,110	1,072	1,028	1,034	1,061	1,011	1,054
Tenure Ratio (%) Full-time	68%	68%	68%	68%	67%	68%	68%	67%	66%	65%
Average Faculty Salary	\$93,074	\$89,967	\$88,005	\$86,552	\$83,236	\$80,577	\$79,615	\$78,089	\$77,139	\$75,263
<b>USC System <sup>(1)</sup></b>										
Number of FTE Faculty	3,517	3,134	3,237	2,875	2,827	2,748	2,678	2,745	2,632	2,592
Number of Full-time Faculty	2,367	2,393	2,317	2,175	2,153	2,078	2,078	2,142	2,037	2,165
Number of Part-time Faculty	1,401	1,376	1,043	1,109	1,036	1,037	977	962	974	1,076
Number of Tenured Faculty	1,619	1,620	1,562	1,463	1,438	1,401	1,395	1,439	1,368	1,415
Tenure Ratio (%) Full-time	68%	68%	67%	67%	67%	67%	67%	67%	67%	65%
<b>Total Employees <sup>(2)</sup></b>										
<b>USC Columbia (including the SOMs)</b>										
Full-time FTE Position	4,722	4,799	4,730	4,633	4,503	4,475	4,499	4,704	4,653	4,540
Part-time FTE Position	78	78	92	96	93	97	80	81	414	85
Temporary	2,366	2,275	2,242	2,445	2,206	1,939	1,753	1,830	1,864	1,719
Research Grant	864	819	753	720	646	587	517	477	425	395
Students	6,217	6,003	6,114	5,803	5,743	5,370	5,471	5,620	5,241	4,979
Total Employees	14,247	13,974	13,931	13,697	13,191	12,468	12,320	12,712	12,597	11,718
<b>Total Employees <sup>(2)</sup></b>										
<b>USC System</b>										
Full-time FTE Position	6,084	6,106	6,053	5,914	5,789	5,740	5,765	6,007	5,900	5,715
Part-time FTE Position	82	86	101	107	107	109	89	90	96	94
Temporary	3,335	3,196	3,183	3,404	3,140	2,867	2,584	2,675	2,653	2,532
Research Grant	892	848	782	752	683	630	560	519	461	437
Students	7,345	7,147	7,337	6,990	6,907	6,454	6,536	6,603	6,150	5,822
Total Employees	17,738	17,383	17,456	17,167	16,626	15,800	15,534	15,894	15,260	14,600
<b>Students per FTE <sup>(3)</sup></b>										
<b>USC Columbia (including the SOMs)</b>										
Faculty	12.03	13.04	12.61	14.13	14.21	14.34	13.94	12.99	12.89	12.91
Full-time Employees	6.67	6.41	6.29	6.21	6.24	6.07	5.77	5.33	5.20	5.24
<b>Students per FTE <sup>(3)</sup></b>										
<b>USC System</b>										
Faculty	12.58	13.77	13.00	14.29	14.32	14.41	14.18	13.25	13.37	13.14
Full-time Employees	7.27	7.07	6.95	6.95	6.99	6.90	6.59	6.06	5.96	5.96

Notes:  
(1) USC Columbia Faculty Data and System Faculty Data compiled annually by the Office of Institutional Research and Assessment in October of each year.  
(2) Total USC Columbia Employees and Total System Employees compiled annually by Human Resources in October of each year.  
(3) The FTE rates for prior years have been restated in 2016 to better represent the relationship between faculty/employees and students.

**UNIVERSITY OF SOUTH CAROLINA**  
**Undergraduate Required Tuition and Fees - Resident**  
 Comparison to Peer Institutions - Last Ten Fiscal Years

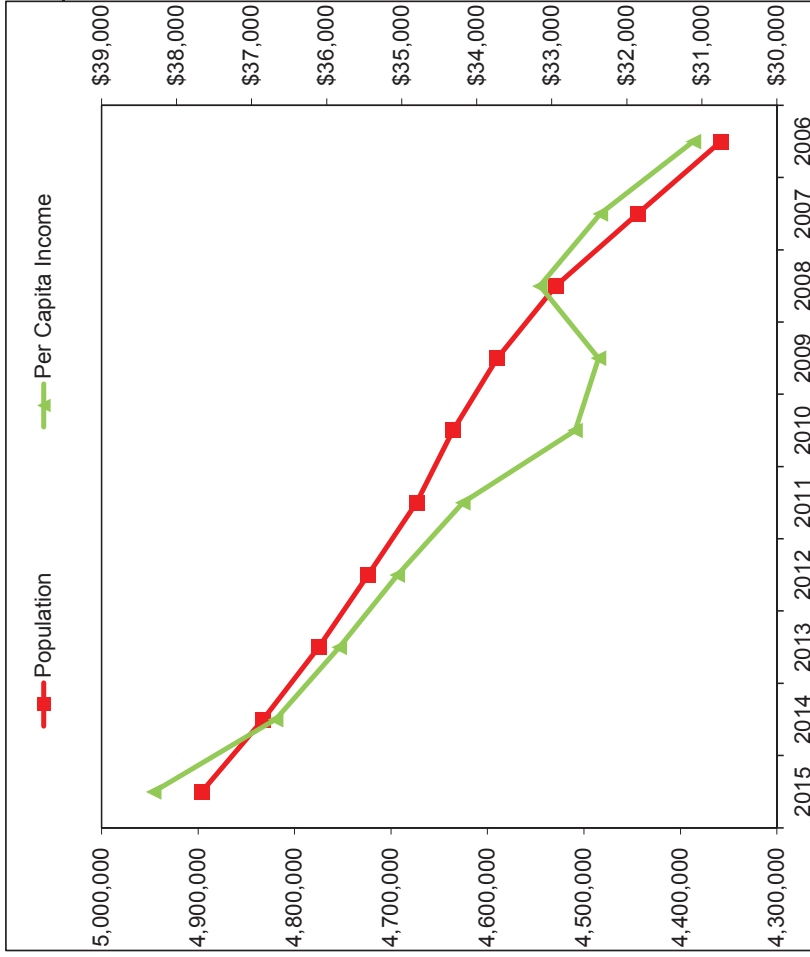
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Undergraduate Resident</b>										
University of South Carolina - Columbia	\$ 11,482	\$ 11,158	\$ 10,816	\$ 10,488	\$ 10,168	\$ 9,786	\$ 9,156	\$ 8,838	\$ 8,346	\$ 7,808
<b>SEC Institutions - Public</b>										
University of Alabama	10,170	9,826	9,450	9,200	8,600	7,900	7,000	6,400	5,700	5,278
University of Arkansas	8,522	7,848	7,818	7,554	7,174	6,768	6,460	6,400	6,038	5,808
Auburn University	10,424	10,200	9,852	9,446	8,698	7,900	6,972	6,500	5,834	5,496
University of Florida	6,310	6,310	6,263	6,143	5,657	5,045	4,373	3,777	3,257	3,206
University of Georgia	11,622	10,836	10,262	9,842	9,472	8,736	7,530	6,030	5,622	4,964
University of Kentucky	12,029	11,677	11,064	9,676	9,128	8,610	8,123	7,736	7,096	5,890
Louisiana State University	9,660	8,701	7,829	6,989	6,354	5,764	5,233	5,086	4,543	4,449
University of Mississippi	7,444	7,096	6,760	6,282	5,790	5,436	5,106	5,106	4,932	4,602
Mississippi State University	7,502	7,140	6,772	6,264	5,805	5,461	5,151	5,151	4,978	4,596
University of Missouri	10,586	10,286	9,415	9,257	8,989	8,501	8,501	8,467	8,098	7,784
University of Tennessee	12,186	11,876	11,194	9,092	8,396	7,382	6,850	6,250	5,932	5,622
Texas A&M University	9,607	9,355	8,506	8,506	8,419	8,386	8,177	7,844	7,335	6,966
<b>ACC Institutions - Public</b>										
Clemson University	13,882	13,446	13,054	12,674	12,304	11,908	11,078	10,608	9,870	9,400
Florida State University	5,644	6,507	6,507	6,402	5,826	5,238	4,566	3,988	3,355	3,307
Georgia Tech	12,204	11,394	10,650	10,098	9,652	8,716	7,606	6,040	5,642	4,926
University of Louisville	10,738	10,236	9,750	9,466	8,930	8,424	7,944	7,564	6,940	6,252
N.C. State University	8,581	8,296	8,206	7,788	7,018	6,529	5,474	5,286	5,117	4,784
University of North Carolina	8,591	8,336	8,340	7,693	7,008	6,665	5,625	5,397	5,340	5,033
University of Pittsburgh	18,192	17,772	17,100	16,590	16,132	14,936	14,154	13,642	12,876	12,138
Virginia Tech	12,485	12,017	11,455	10,923	10,509	9,459	8,605	8,189	7,397	6,973
University of Virginia	14,476	13,111	12,466	12,216	11,786	10,828	9,872	9,490	8,690	8,035
<b>Other Peer Institutions</b>										
University of Colorado - Boulder	11,273	10,789	10,347	9,482	9,152	8,511	7,932	7,278	6,635	5,643
University of Connecticut	13,366	12,700	12,022	11,242	10,670	10,416	9,886	9,338	8,852	8,362
University of Delaware	12,520	12,342	12,112	11,682	11,192	10,208	9,486	8,646	8,150	7,740
Indiana University	10,388	10,388	10,209	10,033	9,524	9,028	8,613	8,231	7,837	7,460
Rutgers University	14,131	13,813	13,499	13,073	12,754	12,559	11,886	11,540	10,686	9,958

**UNIVERSITY OF SOUTH CAROLINA**  
**Undergraduate Required Tuition and Fees - Nonresident**  
 Comparison to Peer Institutions - Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Undergraduate Resident</b>										
University of South Carolina - Columbia	\$ 30,298	\$ 29,440	\$ 28,528	\$ 27,644	\$ 26,352	\$ 25,362	\$ 23,732	\$ 22,908	\$ 21,632	\$ 20,236
<b>SEC Institutions - Public</b>										
University of Alabama	25,950	24,950	23,950	22,950	21,900	20,500	19,200	18,000	16,518	15,294
University of Arkansas	21,826	19,939	19,074	18,434	17,606	16,000	15,338	15,278	14,492	13,942
Auburn University	28,040	27,384	26,364	25,190	23,920	21,916	19,452	18,260	16,334	15,496
University of Florida	28,588	28,588	28,540	28,420	27,934	27,322	23,744	20,622	17,841	17,791
University of Georgia	29,832	29,046	28,472	28,052	27,682	26,946	25,740	22,342	20,726	18,040
University of Kentucky	25,353	23,947	22,150	19,864	18,740	17,678	16,678	15,884	14,896	13,970
Louisiana State University	26,820	26,411	25,735	22,265	19,362	16,549	14,383	13,800	12,843	12,749
University of Mississippi	20,674	19,144	17,628	16,266	14,796	13,890	13,044	12,468	11,436	10,566
Mississippi State University	20,142	18,478	16,960	15,828	14,670	13,801	13,021	12,503	11,469	10,552
University of Missouri	25,198	24,312	23,764	23,366	21,784	20,516	19,592	19,558	18,754	18,050
University of Tennessee	30,636	30,326	29,684	27,582	25,538	22,720	20,946	19,208	18,174	17,188
Texas A&M University	28,200	26,532	25,126	25,036	23,809	22,816	22,607	22,184	15,675	15,216
<b>ACC Institutions - Public</b>										
Clemson University	32,800	31,824	30,488	29,600	28,462	27,420	25,388	23,630	21,800	19,824
Florida State University	18,788	21,673	21,673	21,569	20,992	19,772	18,804	18,432	16,486	16,438
Georgia Tech	32,369	30,698	29,954	29,402	27,862	26,926	26,016	25,182	23,366	20,272
University of Louisville	25,044	24,124	23,638	22,950	21,650	20,424	19,272	18,354	17,734	16,072
N.C. State University	24,932	23,551	21,661	20,953	19,853	19,064	17,959	17,584	17,315	16,982
University of North Carolina	33,673	33,418	30,122	28,445	26,834	25,280	23,513	22,295	20,988	19,681
University of Pittsburgh	28,958	28,168	27,106	26,280	25,540	24,592	23,852	23,290	22,386	21,456
University of Virginia	29,129	28,048	27,211	25,915	24,480	23,217	21,878	20,825	19,775	19,049
University of Virginia	43,772	42,297	39,852	37,546	36,108	33,102	31,430	29,572	27,705	25,959
<b>Other Peer Institutions</b>										
University of Colorado - Boulder	34,307	33,240	32,115	31,378	30,330	29,493	28,186	26,756	24,797	23,539
University of Connecticut	34,908	32,888	30,970	29,074	27,566	26,880	25,486	24,050	22,796	21,562
University of Delaware	31,420	30,692	29,932	28,772	27,462	25,408	23,186	21,126	19,400	18,450
Indiana University	33,740	33,241	32,350	31,483	29,540	27,689	26,160	24,769	22,316	20,472
Rutgers University	29,597	28,624	27,523	26,393	25,417	24,021	22,518	21,488	19,854	18,463

**UNIVERSITY OF SOUTH CAROLINA**  
**State of South Carolina Demographic Statistics**  
 Last Ten Calendar Years

Year	Personal Income (In thousands) (a)	Population at at July 1 (a)	Per Capita Income (a)	Average Annual Unemployment Rate (b)
2015	\$ 187,532,342	4,896,143	\$ 38,302	6.0%
2014	177,242,275	4,832,482	36,677	6.4%
2013	171,088,428	4,774,839	35,831	7.6%
2012	165,595,079	4,723,723	35,056	9.1%
2011	159,747,330	4,673,348	34,183	10.4%
2010	151,536,772	4,635,835	32,688	11.2%
2009	148,602,980	4,589,872	32,376	11.5%
2008	150,165,760	4,528,996	33,157	6.8%
2007	143,767,529	4,444,110	32,350	5.6%
2006	135,575,067	4,357,847	31,111	6.4%



**UNIVERSITY OF SOUTH CAROLINA**  
**State of South Carolina Employment By Industry**  
Latest Completed Calendar Year and Nine Years Prior

	2015		2006	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Construction	86,600	4.33%	124,700	6.56%
Manufacturing	235,900	11.79%	251,600	13.24%
Trade, Transportation and Utilities	384,500	19.22%	370,400	19.49%
Information	26,800	1.34%	27,500	1.45%
Financial Activities	97,000	4.85%	97,400	5.12%
Professional and Business Services	262,200	13.11%	219,000	11.52%
Education and Health Services	235,300	11.76%	187,700	9.87%
Leisure and Hospitality	237,900	11.89%	207,900	10.94%
Other Services	73,700	3.68%	75,000	3.95%
Government	360,400	18.03%	339,600	17.86%
<b>Total</b>	<b>2,000,300</b>	<b>100.00%</b>	<b>1,900,800</b>	<b>100.00%</b>

**UNIVERSITY OF SOUTH CAROLINA**  
**State of South Carolina Ten Largest Employers**  
 Latest Completed Calendar Year and Nine Years Prior  
 Listed Alphabetically

2015	2006
Bi-Lo, LLC	Bi-Lo, LLC
Blue Cross Blue Shield of South Carolina	Blue Cross Blue Shield of South Carolina
Greenville Hospital System	Michelin North America, Inc.
Michelin North America, Inc.	Palmetto Health Alliance, Inc.
Palmetto Health Alliance, Inc.	School District of Greenville County
School District of Greenville County	U.S. Department of Defense
U.S. Department of Defense	U.S. Postal Service
U.S. Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc.
Wal-Mart Associates, Inc.	Washington Savannah River Company





## **Darla Moore School of Business**

The Darla Moore School of Business is home to the number one International MBA program as ranked by U.S. News and World Report. The Moore School has ranked in the top three for 25 consecutive years. The Moore School facility was designed by Rafael Vinoly Architects and opened in 2014.

*All photos provided by University Creative Services*

This Comprehensive Annual Financial Report is also available on the University of South Carolina's Financial Reporting website located at: [web.admin.sc.edu/fr/](http://web.admin.sc.edu/fr/)



# UNIVERSITY OF SOUTH CAROLINA

The University of South Carolina, founded in 1801 serves the state from its flagship Columbia campus, three comprehensive campuses, and four regional campuses. The University is committed to serving the citizens of South Carolina through its academic excellence and outreach. It has forged a variety of cooperative relationships with other academic institutions and health systems throughout the state, and a number of international connections for academic exchange and collaborative research.

The University of South Carolina does not discriminate in educational or employment opportunities or decisions for qualified persons on the basis of race, color, religion, sex, national origin, age, disability, genetics, sexual orientation or veteran status.