

**Coastal Carolina University  
Conway, South Carolina**



**Comprehensive Annual  
Financial Report**

**Included in the Higher Education Fund  
of the State of South Carolina  
for the Fiscal Year Ended June 30, 2007**



# **Comprehensive Annual Financial Report**

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

**For the Fiscal Year Ended June 30, 2007**

**Prepared by the Office of the Assistant Vice President for Business Affairs**

**and the**

**Office of the Vice President for Business Affairs**

**COASTAL CAROLINA UNIVERSITY**  
**FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

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# COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## INTRODUCTORY SECTION



*Kingston Hall on the Coastal Carolina University Campus*



# *President's Letter*

## *2007*



**Dr. David A. DeCenzo**

Dear Coastal Carolina Friends:

Although I officially assumed the presidency of Coastal Carolina University on May 7, 2007, a formal inauguration was held on September 14, celebrating its second president in the institution's short history. I look forward to the exciting years ahead with the realization that we are all part of a family, one that truly cares about this University, and will continue to build Coastal Carolina as a place of proud tradition, integrity, and excellence. Together, we will move this great University forward to meet the challenges of our future.

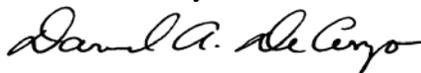
Here are some highlights that you may find of interest:

- Coastal's enrollment has grown steadily over the past 35 years, with a dramatic 62% increase over the past five years and an 80% increase over the past ten years. The average SAT score for first-time entering freshmen for Fall 2006 was 1047.
- Coastal's academic areas are organized into four colleges – Business, Education, Humanities and Fine Arts, and Science. Coastal offers baccalaureate degrees in 40 major fields of study and 36 undergraduate minors. The University also offers master's degree programs in Business Administration, Education, and Coastal Marine and Wetland Studies. The Master of Business Administration degree program began in Fall 2006. Programs with national accreditation include the College of Business (AACSB), Studio Art (NASAD), Computer Science (ABET), and Teacher Education (NCATE).
- Coastal Carolina University completed its Strategic Plan, 2006-2011, marking the completion of a two-year extensive broad-based revision of the former strategic plan. The plan, approved in July, 2006 by the Board of Trustees, builds on the last ten years of planning and assessment, which traditionally has been an ongoing process at Coastal. With transition to new leadership, a new strategic initiative has begun, complete with an organizational assessment spearheaded by the Baldrige Group of the University of Wisconsin-Stout.
- On-campus residence halls have made a significant impact and began a wave of change which continues to build in size and scope. Twenty years ago, Coastal was strictly a commuter college. Since then, 1,300 on-campus beds have been added, and, within the past three years, another 1,000 beds in residence halls owned by the Student Housing Foundation have been constructed adjacent to campus. An additional 1,000 beds built by an external private developer were completed and available for Fall 2006, resulting in nearly 3,300 students now living on or adjacent to campus.

- Student Health Services are now provided for all undergraduate students. Coastal Carolina University provides its students quality medical care with an emphasis on healthy lifestyles and wellness.
- Coastal Carolina University is committed to increasing the effectiveness of higher education through partnerships with other institutions, with school districts, with business and industry, and with groups and organizations in the state and local community. Examples of these partnerships include a dual degree program in engineering with Clemson University, a 3 + 2 program resulting in a degree from Coastal in one of several sciences, and a degree from Clemson in a parallel area of engineering. This program is well established, with approximately 88 students pursuing the joint degrees. Coastal is one of five American universities selected to participate in a unique partnership with 14 Chinese institutions called the SINO-American 1+2+1 Hospitality Management Dual Degree Program. Coastal Carolina University participates in numerous programs with international institutions in Germany, Japan, England, Australia, and Ecuador.
- The University assumed the management of the Quail Creek Golf Club at Coastal Carolina University on July 1, 2005. As a public course operated through Coastal's Professional Golf Management (PGM) program, it is one of only 18 such programs in the nation accredited by the Professional Golf Association of America (PGA). The course serves as a classroom and laboratory for students in Coastal's Wall College of Business PGM program, who help to staff the facility. Horry-Georgetown Technical College (HGTC) students also play a vital role in maintaining the course as part of the college's Turf and Sports Management Technology program. The course serves as a learning lab for HGTC Horticulture, Forestry, and Turf Equipment programs. As a further cooperative involvement, Coastal Carolina University's Biology Department is maintaining and monitoring improvements to a major portion of the course which is included in a conservation easement.
- In 2006, Santee Cooper and Coastal Carolina University officially dedicated South Carolina's first solar Green Power site, an historic solar pavilion demonstration project that delivers on Santee Cooper's commitment to reinvest Green Power funds into future renewable energy projects in the state. The two organizations partnered on this project, making it the first solar photovoltaic (PV) project at a public university in South Carolina.

Without sacrificing that small college feel, Coastal is large enough to provide opportunities to inspire. The University has maintained a well-established reputation for effective use of resources integrated with strategic planning. Sound fiscal practices and public accountability complement our emphasis upon our innovative approach to teaching and serving students.

Sincerely,



David A. DeCenzo  
President



**COASTAL CAROLINA UNIVERSITY**  
*Vice President for Business Affairs*

**LETTER OF TRANSMITTAL**

October 10, 2007

To the President and  
Members of the Board of Trustees:

We are pleased to present to you the Comprehensive Annual Financial Report of Coastal Carolina University for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of Coastal Carolina University. Consequently, management accepts full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the University has established a comprehensive internal control framework that is designed both to protect the University's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the University's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the University's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The University's financial statements have been audited by Cline Brandt Kochenower & Co., P.A., certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the University's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The University's MD&A can be found immediately following the report of the independent auditor.

### *Profile of the University*

Coastal Carolina University was founded in 1954 by a group of Horry County citizens who lent their vision and support to bringing higher education to the local area. Initially a two-year college, the new school was supported by private funds, and was operated under the auspices of the College of Charleston. A referendum in 1958 resulted in a county property tax millage being made available for the support of the college, and Coastal entered into an agreement in 1959 with the University of South Carolina to become a campus of the University System. In 1963, with the support of the Coastal Educational Foundation, Inc. and the Horry County Higher Education Commission, the college moved to its current location, with the completion of the Edward M. Singleton Administration Building.

Coastal Carolina College became a four-year institution in 1974, awarding baccalaureate degrees in several areas. During the decade of the 1980's, Coastal Carolina College experienced a dramatic growth, with the enrollment doubling in size from approximately 2,000 to 4,000 students.

In 1991, the Coastal Educational Foundation, Inc. and the Horry County Higher Education Commission voted to seek legislative approval to establish an independent Coastal Carolina University. The University of South Carolina president and Board of Trustees agreed to the proposed independence for Coastal. In the 1993 session, the South Carolina legislature established Coastal Carolina University as an independent state-supported institution, effective July 1, 1993. The University, for the first time, had acquired its own Board of Trustees, which met July 1, 1993, and named Ronald R. Ingle as the university's first president. Dr. David A. DeCenzo became the second president of Coastal Carolina University on May 7, 2007.

Coastal Carolina University began offering its first graduate programs in education in the fall of 1993. Today, the university offers 40 baccalaureate degree programs through its four academic colleges and six graduate programs. A new degree program in exercise and sport science will be offered beginning the spring semester of 2008. This program, offered through Coastal's Spadoni College of Education, is designed to prepare students for careers in the allied health care fields related to the fitness/wellness, movement rehabilitation and exercise/sports sciences industries, which are on the rise across the country. Coastal houses approximately 3,300 students on or near campus, with a total FTE enrollment of approximately 7,039 in the fall of 2007. Coastal has grown from the one building in 1963 to 52 buildings totaling approximately 1.2 million square feet.

## ***Economic Environment***

Coastal Carolina University's financial profile fits more closely with that of a private institution than with a typical public institution. The university is highly dependent on tuition revenues, with more than 58 percent of its total net revenues coming from student tuition and fees, while only 16 percent of its net revenues come from state appropriations. Because the university is required to charge out-of-state students the full cost of their education, these student revenues make up approximately 56 percent of all tuition, although only 33 percent of students are from out-of-state.

The state economic outlook has improved somewhat in the past two years related to the support of higher education. The legislature has continued to earmark South Carolina Education Lottery funding for tuition assistance directly to students and to institutional technology projects. In 2007, Coastal Carolina University also received a non-recurring supplemental appropriation of \$2.358 million. In fiscal year 2008, the state appropriated an additional \$3.7 million in recurring funds to the university to shore up its parity with other state institutions. The university budget for general operations now represents 125 percent of the amount appropriated for fiscal year 2002. During the same time period Coastal has experienced a projected FTE enrollment growth of approximately 56.9 percent.

The University is located nine miles from Myrtle Beach, one of the fastest growing metropolitan areas in the United States. The growth of the surrounding area continues to impact the University's potential for growth. In addition, the local technical college, Horry-Georgetown Tech, has experienced similar growth in enrollment, preparing many more students for transfer to Coastal Carolina University for their junior and senior years.

The University's in-state tuition is at about the median point in the state, which continues to give management the choice of raising resident tuition while still being competitive in South Carolina. In-state tuition increased by only 1.3 percent for the Fall of 2007, due to the significant impact of additional state funding.

The University operates six auxiliary enterprises which have helped to build and sustain cash reserves in tight economic times. The first five consist of the bookstore (outsourced to Follett's), housing (operated by the University), vending (outsourced to Pepsi-Cola and C.A. Timbes, Inc.), food service (outsourced to Aramark), and health services (newly operated by the University in fiscal 2007). Student health services are now provided for all undergraduate students at no additional cost. The sixth, a cooperative program with Horry Georgetown Technical College, is the operation of Quail Creek Golf Course, which is also open to the public. This enterprise was added in fiscal year 2006 as a required complement to the University's professional golf management course of study. The golf course is an asset because it helps attract approximately 200 students to the professional golf management program, one of 18 programs nationwide accredited by the PGA of America.

The University is also fortunate to receive county appropriations from both Horry County and Georgetown County. This gives the University flexibility to take on specific projects in the interest of the citizens of each of those counties which also benefits the entire University community.

### ***Long-Term Financial Planning***

Coastal Carolina University accomplishes long-term financial planning through its ongoing strategic planning process and through periodic updates to its campus master plan. The strategic planning process, which is an ongoing and active process of planning and assessment, emphasizes the integration of resource allocation and planning, and is refreshed every semester with real data related to current enrollment and student demographics. With the transition to new leadership, a new strategic initiative has begun, complete with a thorough organizational assessment spearheaded by the Baldrige Group of the University of Wisconsin-Stout. Multiple input sessions began in the Fall of 2007 which include students, alumni, faculty, staff, board members and donors. Sessions are also being held in different sections of the community to encourage public involvement. A summary of existing key directives of the strategic planning process are shown below.

- **Build a predominantly undergraduate university with a reputation for excellence in teaching.**
- **Promote a learning process that is inquiry-based, participatory, and includes current and emerging technology.**
- **Offer high quality academic programs founded in the traditional arts and sciences that prepare graduates to become contributing members of a global community.**
- **Support a teacher-scholar model for faculty performance with emphasis on student-faculty interaction and mentoring.**
- **Develop graduate programs based upon strong undergraduate programming and on meeting local needs.**
- **Promote programs and initiatives that encourage collaboration with other higher education institutions, public schools, local citizens, and the business community.**
- **Recruit qualified students and provide a learning environment and quality of life for these students that enhance all facets of their development and campus community experience.**
- **Direct administrative processes that are informed by management data and that integrate financial considerations with institutional planning for maximum effectiveness and service.**

The University's Campus Master Plan, updated in 2004, provides a strong base and clear direction to institutional development. Details of the Campus Master Plan process are available on the University's web site [www.coastal.edu/masterplan](http://www.coastal.edu/masterplan).

### ***Relevant Financial Policies***

In addition to being guided by its own Master Plan, the University is a part of state government in South Carolina, and as such, follows state law and policies regarding procurement, construction, human resource practices, contract and grant funding and other operating practices. A budget is submitted annually to the Governor's Office, which is built on a robust internal budget process. University budget policies are built on the strategic plan, the campus master plan, and current enrollment data. When borrowing funds for capital projects is necessary, the University accomplishes this by working through staff in the State Treasurer's Office.

### ***Major Initiatives***

The University is in the midst of an ambitious capital project/renovation schedule. General obligation bonds in the amount of \$11.3 million have funded many of these improvements. These include extensive renovations to several classroom buildings and the student center, roof and shingle replacements on several buildings, electrical and HVAC upgrades, parking lot improvements, athletic and intramural field improvements, the first phase of an athletic field house, and the installation of irrigation systems. The realignment of University Boulevard and the installation of a traffic signal were completed last spring. This was done for safety reasons and to eventually allow a direct access road to the Coastal Science Center and the Burroughs and Chapin Center for Marine and Wetland Studies buildings located across Highway 501 from the main campus.

The acquisition and modification of space to accommodate programs and services is one of Coastal's highest budget priorities. In spite of all of the stop gap measures for providing space, the addition to academic and support space do not begin to address the 90 percent growth in students over the past ten years.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coastal Carolina University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the fourth year that the University received this prestigious award. In order to be awarded a Certificate of Achievement, the University published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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 report is the result of dedicated teamwork by the staff in the departments of Business Affairs, Institutional Research and Assessment, Information Technology Services, and Printing Services. A good report depends as much on data integrity at the level of each transaction as it does on statistical analysis and spreadsheet preparation. We appreciate the hard work and good humor of staff members and their adherence to quality professional standards. Significant credit is also due to the President and Board of Trustees for their leadership, dedication, vision, and encouragement to each member of the University community to strive for excellence. The staff especially appreciates the breadth of experience and thorough review completed by the University's external auditors, Cline Brandt Kochenower & Co., P.A.

Respectfully submitted,



Wilbur L. Garland  
Vice President for Business Affairs



Stacie A. Bowie  
Assistant Vice President for Business Affairs



Linda P. Lyerly  
Associate Athletic Director for Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
**Coastal Carolina University**  
**South Carolina**

**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006**

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



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**COASTAL CAROLINA UNIVERSITY**  
**BOARD OF TRUSTEES**  
**2007-2008**

Marshall C. Sanford, Jr.	Ex Officio Chairman
Clark B. Parker	First Congressional District - Seat One
Robert L. Rabon	First Congressional District - Seat Two
Oran P. Smith	Second Congressional District - Seat Three
Vacant	Second Congressional District - Seat Four
William S. Biggs	Third Congressional District - Seat Five
William L. Lyles, Jr.	Third Congressional District - Seat Six
Charles J. Hodge	Fourth Congressional District - Seat Seven
Tommy M. Stringer	Fourth Congressional District - Seat Eight
Samuel J. Swad	Fifth Congressional District - Seat Nine
Robert D. Brown	Fifth Congressional District - Seat Ten
Gary W. Brown	Sixth Congressional District - Seat Eleven
J. Wayne George	Sixth Congressional District - Seat Twelve
Eugene C. Spivey	At-Large - Seat Thirteen
William H. Alford, Chair	At-Large - Seat Fourteen
Daniel W. R. Moore, Sr.	At-Large - Seat Fifteen
Samuel H. Frink	Gubernatorial Designee
Joseph L. Carter	Gubernatorial Appointee
Gene Anderson	Trustee Emeritus
Payne H. Barnette, Jr.	Trustee Emeritus
Fred F. DuBard, Jr.	Trustee Emeritus
Cathy B. Harvin	Trustee Emerita
Dean P. Hudson	Trustee Emeritus
James J. Johnson	Trustee Emeritus
Juli S. Powers	Trustee Emerita
Keith S. Smith	Trustee Emeritus

**COASTAL CAROLINA UNIVERSITY  
ADMINISTRATIVE OFFICERS  
2007-2008**

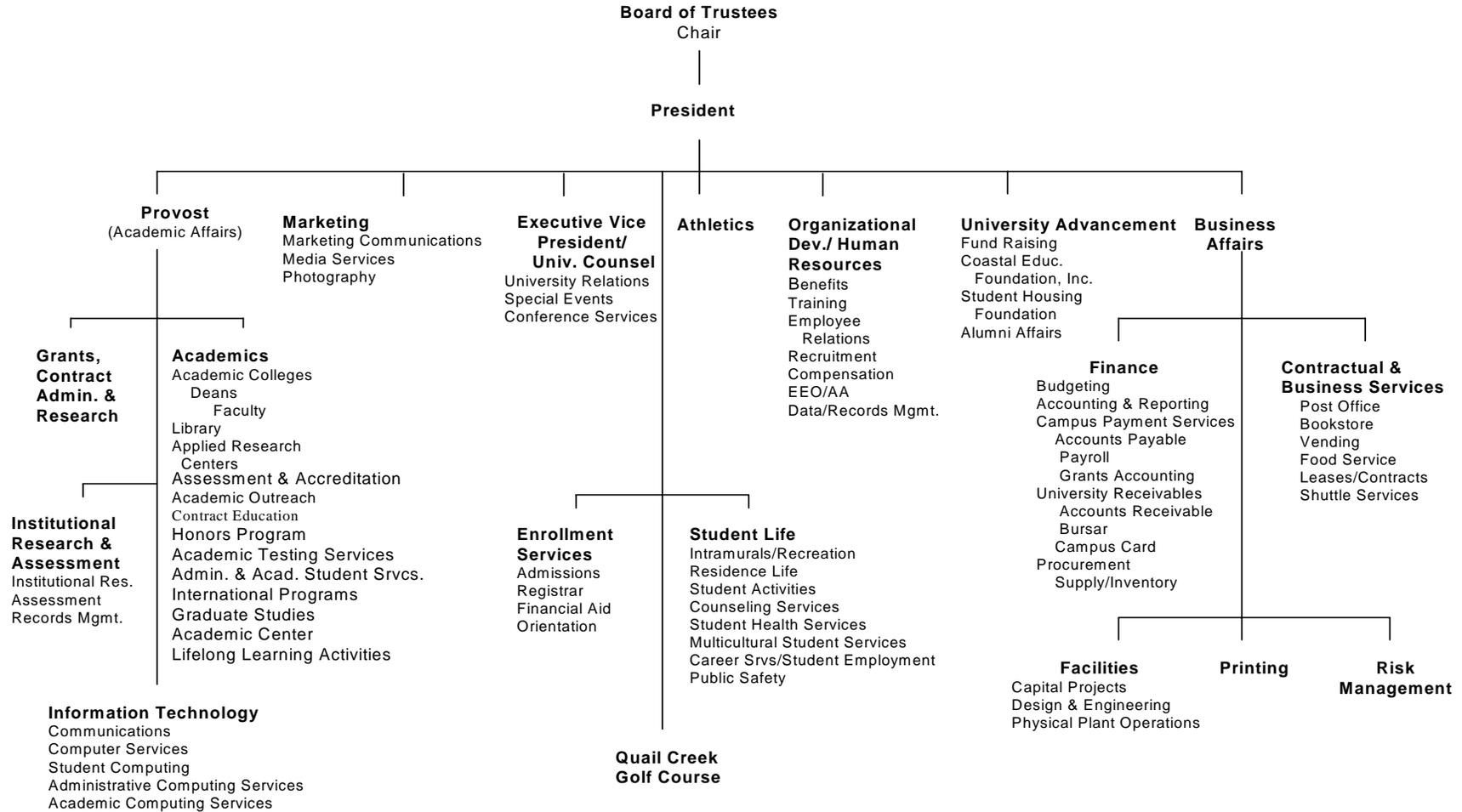
David A. DeCenzo, Ph.D.	President
Edgar L. Dyer, J.D.	Executive Vice President/University Counsel
Robert Sheehan, Ph.D.	Provost and Vice President for Academic Affairs
Janis W. Chesson, Ph.D.	Vice Pres., Organizational Dev., Human Res. & Equal Opp.
Wilbur L. Garland, M.B.A.	Vice President, Business Affairs
William D. Nicholson II, M.A.	Vice President, University Advancement
Lynn Willett, Ph.D.	Vice President, Student Affairs
Judy W. Vogt, Ed.D.	Vice President, Enrollment Services
Warren Koegel, B.S.	Director of Athletics
Linda P. Lyerly, M.Acc.	Associate Athletic Director for Finance
Mary E. Eaddy, M.A.	Special Assistant to the President
Marvin F. Marozas, B.S.	Vice Pres., Information Tech Servs., Chief Inform. Officer
Colleen A. Lohr, Ph.D.	Associate Provost, Administration & Academic Student Services
Barbara Chesler Buckner, Ed.D.	Associate Provost, Assessment and Accreditation
Gilbert H. Hunt, Ph.D.	Dean, Spadoni College of Education
Henry Lowenstein, Ph.D.	Dean, Wall College of Business
William Richardson, Ph.D.	Dean, Edwards College of Humanities & Fine Arts
Michael H. Roberts, Ph.D.	Dean, College of Natural and Applied Sciences
Michael M. Lackey, M.L.S.	Interim Dean, Library Services
Nelljean M. Rice, Ph.D.	Director, University Academic Center
Stan R. Godshall, M.B.A.	Associate Vice President, Executive Director of Foundations
Deborah K. Conner, Ph.D.	Associate Vice President, University Relations
Stacie A. Bowie, B.S.	Assistant Vice President for Business Affairs
Richard H. Moore, Ph.D.	Assistant Vice Pres., Grants, Contract Admin. & Research Planning
Kim Sherfesees, B.A.	Assistant Vice President for Human Resources
Anne T. Monk, B.A.	Assistant Vice President, Marketing Communication
Deborah A. Vrooman, Ph.D.	Interim Director, Graduate Studies
Christine L. Mee, M.Ed.	Director, Institutional Research and Assessment
Sandy Williams, B.S.	Director, Facilities Planning and Management
Daniel M. Lawless, M.S.I.T.	Registrar
Alison L. Hawk, B.S.	Director, Internal Audit

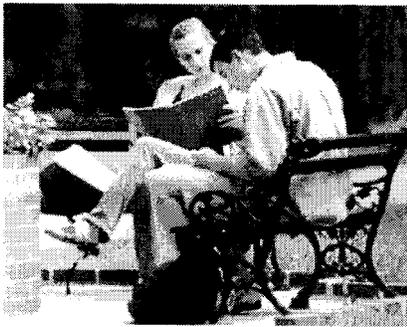
**COASTAL CAROLINA UNIVERSITY  
BUSINESS AND FINANCE OFFICERS  
2007-2008**

Wilbur L. Garland	<i>Vice President for Business Affairs</i>
Brenda Cox	<i>Administrative Coordinator</i>
Stacie A. Bowie	<i>Assistant Vice President for Business Affairs</i>
Mirinda Chestnut	<i>Administrative Specialist</i>
Bob Lundgren	<i>Senior Accountant</i>
Keith S. Smith	<i>Finance Director, Foundations</i>
Julianne Cooke	<i>Fiscal Technician, University Advancement</i>
Lori Church	<i>Controller</i>
Heather Walbring	<i>Senior Accountant</i>
Sharon A. Sluys	<i>Senior Accountant</i>
Pat West	<i>Director, Campus Payment Services</i>
Tammy Hardee	<i>Administrative Support</i>
Jill Conway	<i>Payroll Manager</i>
Vicky Rabon	<i>Assistant Payroll Manager</i>
Toni Cartee	<i>Accounting Clerk, Payroll</i>
Katie Mishoe	<i>Payroll Technician, Payroll</i>
Virginia Altman	<i>Supervisor, Accounts Payable/Travel (Administration)</i>
Brenda Rabon	<i>Fiscal Technician, Accounts Payable/Travel (Athletics)</i>
Vacant	<i>Fiscal Technician Accounts Payable/Travel</i>
Lila Taylor	<i>Supervisor, Accounts Payable/Travel (Academics)</i>
Bill Douglas	<i>Fiscal Technician, Accounts Payable/Travel (Academics)</i>
Vacant	<i>Grants and Tax Accounting Manager</i>
Tammy Holt	<i>Grants Accountant</i>
Regina Lee	<i>Director, University Receivables</i>
Lill Heit	<i>Accountant, University Receivables</i>
Brian Kramer	<i>Bursar</i>
Kevin West	<i>Special Project Coordinator</i>
Elaine Bridges	<i>Head Cashier, Bursar</i>
Sheila Mooney	<i>Senior Cashier, Bursar</i>
Patty Dudley	<i>Collections, Bursar</i>
Carolyn Singleton	<i>Tuition Payment Plan Coordinator, Bursar</i>
Annette Johnson	<i>Fiscal Technician, Bursar and Cashier</i>
Vacant	<i>Campus Card Technician</i>
Randall Cox	<i>Director, Procurement</i>
Robin Strickland	<i>Procurement Specialist</i>
June Barfield	<i>Procurement Specialist</i>
Caren Riedinger	<i>Procurement Specialist</i>
Sabra Kelly	<i>Administrative Specialist, Procurement</i>
Suzanne Beverly	<i>Supply Manager, Campus Supply/Inventory</i>
Faye Tyler	<i>Supply Specialist, Campus Supply/Delivery</i>
John McKee	<i>Supply Specialist Temporary, Campus Supply/Delivery</i>
John Stokes	<i>Temporary Supply Support, Campus Supply/Delivery</i>
Linda P. Lyerly	<i>Associate Athletic Director for Finance</i>
Dean P. Hudson	<i>Director, Auxiliary Services</i>

Outsourced: Aramark Food Services, Follett Bookstore, Pepsi-Cola Bottling Co., C.A. Timbes, Inc.

# Coastal Carolina University Organizational Chart by Function





Students Studying on Campus

# COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## FINANCIAL SECTION



*University Hall on the Coastal Carolina University Campus*



**COASTAL CAROLINA UNIVERSITY**

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**Independent Auditors' Report**

**Financial Statements and Schedules**  
**For the Year Ended June 30, 2007**



# COASTAL CAROLINA UNIVERSITY

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**FINANCIAL INFORMATION**

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## Independent Auditors' Report

Coastal Carolina University  
Conway, South Carolina

We have audited the accompanying financial statements of Coastal Carolina University (the University) as of and for the year ended June 30, 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Coastal Educational Foundation and CCU Student Housing Foundation. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for The Coastal Educational Foundation and Coastal Carolina University Student Housing Foundation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Coastal Educational Foundation and CCU Student Housing Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Carolina University, as of June 30, 2007, and the results of its operations and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and other financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the financial statements of Coastal Carolina University. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2008 on our consideration of Coastal Carolina University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in blue ink, appearing to read "C. Brantley & Co. PA". The signature is written in a cursive style with a horizontal line extending from the end.

January 10, 2008

## **Coastal Carolina University Management's Discussion and Analysis**

Coastal Carolina University is pleased to present its financial report for the year ended June 30, 2007. This section, Management's Discussion and Analysis, will describe each of the statements, present a condensed, comparative version of each one, and offer financial highlights of the year.

### ***Using the Annual Financial Report***

The University's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. During fiscal year 2004, the University implemented GASB Statement No. 39, Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14, and incorporated one non-governmental component unit, the Coastal Educational Foundation. In fiscal year 2005, the CCU Student Housing Foundation was determined to be a second component unit, primarily due to its close relationship to the growth plans of the institution.

The basic financial statements prescribed by GASB No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities of the University. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. A public university's dependency on state aid and gifts usually produces an operating deficit because the financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows which are classified into operating, non-capital financing, capital financing and related investing activities, and helps measure the ability to meet financial obligations as they mature.

### ***Financial Highlights***

All activity in the past year was undertaken in the atmosphere and context of a changing administration. An intensive search to replace long-time President Dr. Ronald R. Ingle began in the spring of 2006 and concluded in the spring of 2007 with the naming of University Provost, Dr. David A. DeCenzo, as the second president of the University. It was a year in which many financial decisions were delayed or put on hold pending the input of the new president. Many board members, faculty, staff and students were heavily involved in the search and interview process.

Managing undergraduate enrollment growth continued to be one of the principal planning issues at the University in fiscal year 2007. The undergraduate full-time equivalency (FTE) enrollment for the fall of 2006 was 6,398, representing a 4.2% increase over the previous fall, and a 44% increase since the fall of 2001. This was fueled by a 15% increase in freshman applications for admission over the previous year, and a doubling in the number of freshman applications over five years. In the fall of 2006, the University implemented an in-state tuition increase of 9.33% and an out-of-state increase of 7.22%. This kept Coastal's in-state rate close to the average rate of higher education offered by South Carolina public institutions with a similar mission. As a result, overall gross revenue generated by tuition increased by 14%. Gross undergraduate revenue increased by 17% and gross graduate revenue increased by 19%. The graduate revenue was heavily impacted by implementation of the MBA program in the fall of 2006. Tuition forfeited by students dropping out actually decreased by 8%, which is a good indicator of student retention success.

As mentioned in the fiscal year 2006 economic outlook for the University narrative, lobbying efforts with the state legislature paid off in the awarding of one-time supplemental funding of \$2.358 million. This amount represented a 20% increase in funding from the state. However, since it was one-time funding only, management did not consider the "windfall" as a resource for operations, but instead reserved the funds for future physical plant expansion or renovations.

Upgrades in e-commerce capability by the University's software vendor, as well as perseverance and dedicated work by staff, brought many long anticipated projects to fruition. These accomplishments consist of online presentation of the student tuition invoice, readiness for electronic payment of student settlement checks and electronic payment of all employee reimbursements, which began in the spring of 2007. An online application for student housing was enhanced, which included an online notification of room assignments. In addition, as a part of emergency preparedness planning, the University implemented mandatory direct deposit of payroll in January. These projects have provided considerable cost savings to the University and have been popular with its student and employee customers.

The University implemented a new cell phone policy in the spring of 2007, which will enable cost savings through University-wide pooling of minutes.

In fiscal year 2007 the University Board established a new committee, the audit committee, to work directly with the University internal auditor and to oversee the external audit process. The University's five year contract with its auditor, Walda Wildman, LLC ended in 2007 and a request for proposals was issued. Cline, Brandt, Kochenower & Co., P.A. was the successful respondent and began review work in the spring.

### *Statement of Net Assets*

#### **Total Assets – increase of \$22.8 million**

Total assets increased by \$22.8 million. The increase of \$21.5 million in current assets is mainly an increase in cash. The net increase in cash compared to the prior fiscal year is due to the reduction of net cash used by operations of \$2.5 million, an increase in cash flows from non-capital financing activities, primarily state appropriations, of \$2.3 million, an increase in cash flows from capital financing activities of \$10.7 million, and an increase of over \$740 thousand in interest income. Other assets increased by approximately \$1.2 million, partly due to a call premium related to revenue bond refinancing which will be amortized over the life of the bonds.

## Total Liabilities – increase of \$12.9 million

Liabilities increased by \$12.9 million, primarily due to the issuance of \$11.3 million in general obligation bonds for deferred maintenance and campus development projects and the borrowing of \$935 thousand to advance refund \$12.24 million in revenue bonds. Increases in individual current liability accounts included an increase of \$434 thousand in accounts and retainage payable, \$393 thousand in payroll and related liabilities, \$1.1 million in deferred revenue, \$430 thousand in bonds payable, current portion, and \$110 thousand in accrued interest payable.

## Net Assets – increase of \$9.9 million

Net assets increased by \$9.9 million. This was comprised of a decrease in capital assets, net of debt of \$10.5 million, primarily due to the issuance of \$11.3 million in new debt, and a corresponding increase in expendable restricted net assets of \$12 million, mainly comprised of funds restricted to state capital projects approved to be funded under the bonds. Unrestricted net assets grew by \$8.4 million, fueled partly by the increase in unrestricted state appropriations of \$2.4 million (currently reserved for future capital needs), steady enrollment growth marked by a significant increase in the number of freshmen paying out of state rates, further implementation of a strategy which increased the use of partial rather than full out-of-state tuition abatements, and an operating budget that did not grow as quickly as anticipated in a year of changing administration. At year end, unrestricted net assets were comprised of \$9.5 million education and general, \$4.3 million in auxiliary enterprises, and \$5.5 million in funds designated for plant renovation or expansion.

Condensed Summary of Net Assets				
Assets	2007	Restated 2006	Increase/ (Decrease)	Per Cent Change
Current assets	\$ 44,567,806	\$ 23,098,703	\$ 21,469,103	93%
Capital assets, net	89,963,591	89,852,674	110,917	0%
Other assets	2,734,155	1,480,317	1,253,838	85%
<b>Total Assets</b>	<b>137,265,552</b>	<b>114,431,694</b>	<b>22,833,859</b>	<b>20%</b>
<b>Liabilities</b>				
Current liabilities	10,686,345	8,290,477	2,395,868	29%
Non-current liabilities	45,704,903	35,185,228	10,519,675	30%
<b>Total Liabilities</b>	<b>56,391,248</b>	<b>43,475,705</b>	<b>12,915,543</b>	<b>30%</b>
<b>Net Assets</b>				
Invested in capital assets, net of debt	46,314,833	56,850,622	(10,535,789)	-19%
Restricted - non-expendable	100,000	97,953	2,047	2%
Restricted - expendable	15,203,375	3,119,736	12,083,639	387%
Unrestricted	19,256,096	10,887,678	8,368,418	77%
<b>Total Net Assets</b>	<b>\$ 80,874,304</b>	<b>\$ 70,955,989</b>	<b>\$ 9,918,315</b>	<b>14%</b>

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

### Total Revenues – increase of \$12 million

A \$12 million increase in total revenue was comprised of growth in operating revenues of \$10.6 million and an increase in non-operating revenue of \$1.4 million.

The largest dollar volume of increase due to operations was an \$8.9 million increase in student tuition and fees, representing a 17% growth over the previous year. Sales and services of auxiliaries and educational activities grew by 12% or \$1 million. Grants, contracts and scholarships increased by almost \$700 thousand.

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

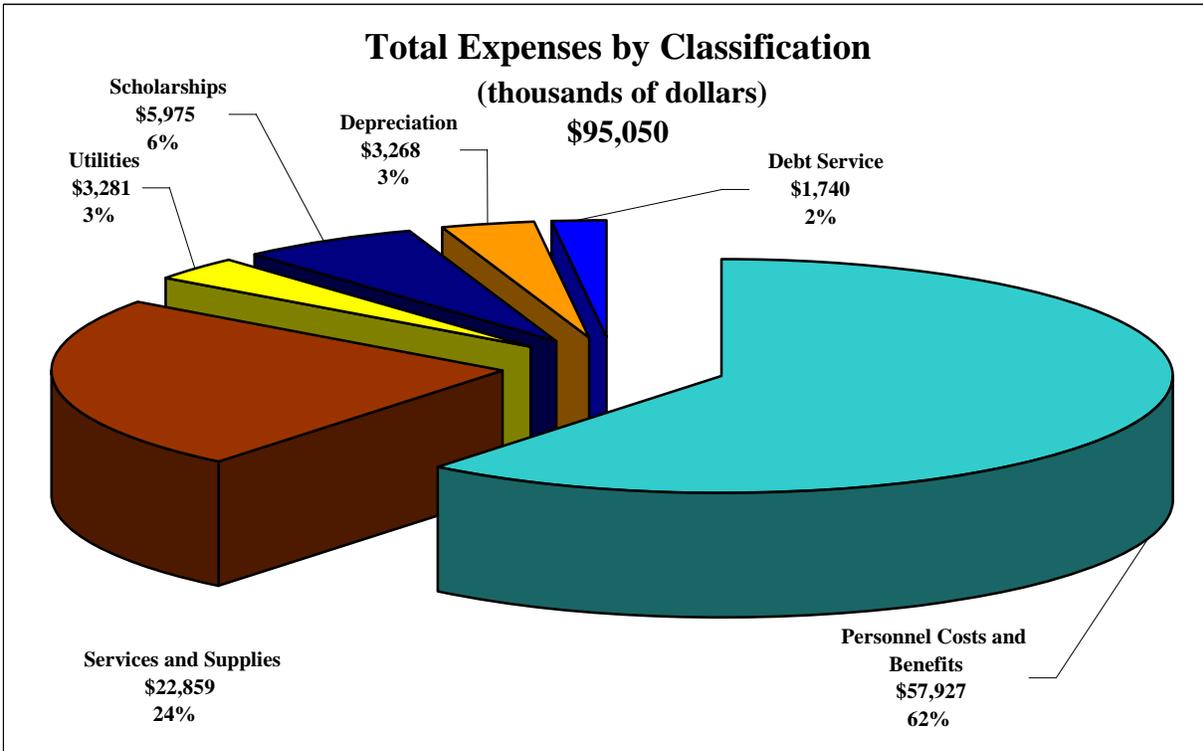
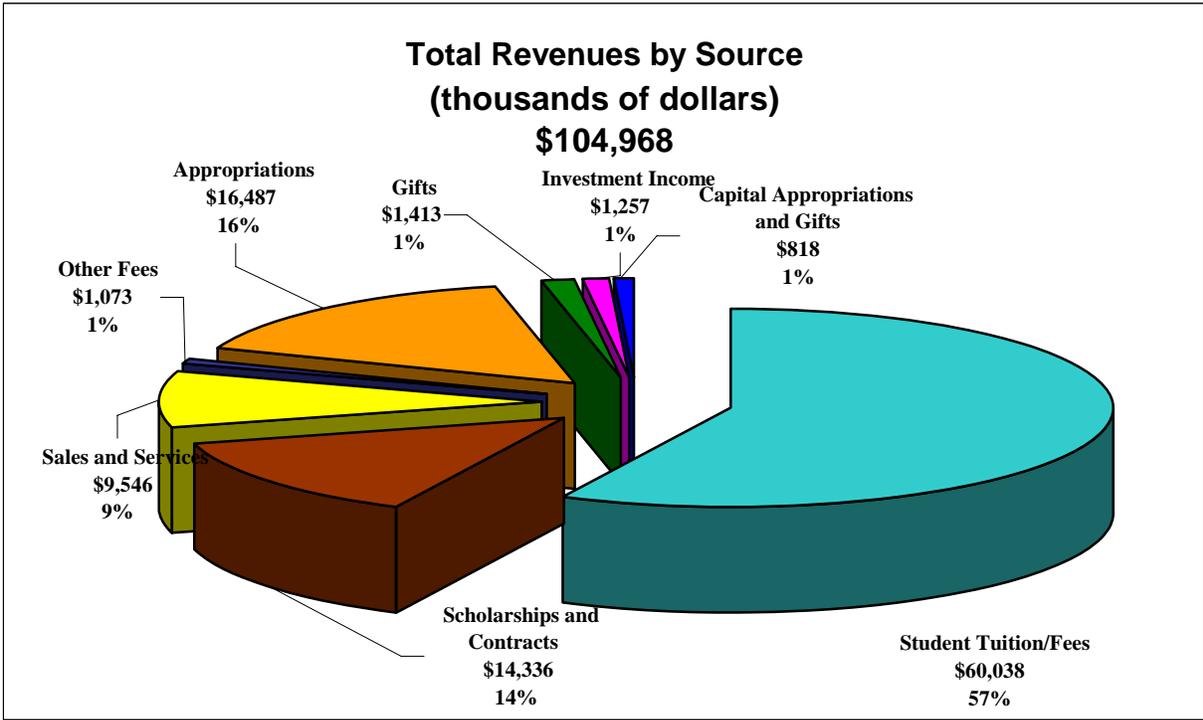
The net growth in non-operating revenue was comprised of large swings both up and down. There was a net increase in supplemental state appropriations of \$2.1 million, coupled with pay plan and lottery technology fund increases amounting to an approximate total of \$2.6 million increase. This was offset by a decrease in capital grants and appropriations of \$1.3 million and a decrease in gifts and local appropriations of \$685 thousand. Partly due to the large increase in cash mentioned earlier, investment income increased over \$800,000 or 195%.

**Total Expenses – increase of \$8.6 million**

The total expense increase of \$8.6 million was almost entirely due to operations. Salaries and fringe benefits comprised the largest portion of the increase at \$5.5 million, which included a raise for permanent employees of 3%. The University will continue to play “catch up” in converting temporary faculty to permanent faculty positions. Several hiring decisions in fiscal 2007 were delayed due to the focus on hiring a new President, and subsequently, a new Provost. Services and supplies requirements increased as a result of enrollment growth. Utilities expenses were down after a post-Katrina spike in fiscal year 2006. Scholarship support continued to rise with tuition and enrollment, showing an increase of approximately 12%.

Net assets increased as a result of these transactions by almost \$10 million.

Condensed Summary of Revenues, Expenses and Changes in Net Assets				
	2007	Restated 2006	Increase/ (Decrease)	Percent Change
<b>Revenues:</b>				
Student tuition and fees	\$ 60,037,693	\$ 51,186,504	\$ 8,851,189	17%
Grants and contracts	14,336,101	13,643,392	692,709	5%
Sales and services	9,546,340	8,496,003	1,050,337	12%
Other operating revenues	<u>1,073,120</u>	<u>1,125,867</u>	<u>(52,747)</u>	-5%
Total operating revenues	<u>84,993,254</u>	<u>74,451,766</u>	<u>10,541,488</u>	14%
State appropriations	16,171,875	13,562,113	2,609,762	19%
Local appropriations	315,079	338,539	(23,460)	-7%
Gifts	1,412,749	2,074,663	(661,914)	-32%
Capital grants and appropriations	818,208	2,126,661	(1,308,453)	-62%
Investment income	<u>1,256,909</u>	<u>425,808</u>	<u>831,101</u>	195%
Total nonoperating revenues	<u>19,974,820</u>	<u>18,527,784</u>	<u>1,447,036</u>	8%
Total Revenues	<u>104,968,074</u>	<u>92,979,550</u>	<u>11,988,524</u>	13%
<b>Expenses:</b>				
Personnel costs and benefits	57,926,829	52,396,576	5,530,253	11%
Services and supplies	22,859,221	20,422,732	2,436,489	12%
Utilities	3,280,450	3,447,960	(167,510)	-5%
Scholarships	5,974,936	5,332,568	642,368	12%
Depreciation	<u>3,267,991</u>	<u>3,190,958</u>	<u>77,033</u>	2%
Total operating expenses	<u>93,309,427</u>	<u>84,790,794</u>	<u>8,518,633</u>	10%
Interest expense	<u>1,740,332</u>	<u>1,627,464</u>	<u>112,868</u>	7%
Total Expenses	95,049,759	86,418,258	8,631,501	
<b>Change in Net Assets</b>	9,918,315	6,561,292	3,357,023	51%
<b>Net Assets, beginning of year</b>	<u>70,955,989</u>	<u>64,594,318</u>	<u>6,361,671</u>	10%
<b>Prior Period Adjustment</b>		(199,621)		
<b>Restated Net Assets</b>		<u>64,394,697</u>		
<b>Net Assets, end of year</b>	\$ <u>80,874,304</u>	\$ <u>70,955,989</u>	\$ <u>9,918,315</u>	14%



## ***Capital Assets and Debt***

Capital assets at June 30, 2007 consisted of land, \$858 thousand construction in progress, and \$88.9 million in land improvements, buildings, equipment, vehicles, and intangible assets, net of accumulated depreciation. The small portion of campus land owned by the University is booked at historical value of \$194 thousand. A current year addition of campus land in the transfer of Spadoni Park from the Coastal Educational Foundation was offset by the removal of a similarly valued parcel of land across University Boulevard from the Williams Brice pool. In fiscal year 2007 the University determined that this land, in addition to the Singleton Building and Atheneum Hall, belonged to the Horry County Higher Education Commission. This discovery resulted in an opening balance adjustment to land and buildings, which is discussed in Note 20.

The construction in progress is comprised mainly of the athletic training facility building planned for the north end zone in the football stadium and an irrigation project at Quail Creek golf course. Please see Note 6 to the financial statements for further details of capital asset activity.

Debt on capital assets is approximately \$43.6 million, comprised of \$1.7 million in current liabilities and \$41.9 million in long-term liabilities. Details on the capital lease obligation of the University as of June 30, 2007, may be found in Note 9 to the financial statements. Detail of bonds payable and long-term liabilities of the University are found in Notes 10 and 11.

The table below highlights expenditures for projects completed in fiscal year 2007.

Kearns Hall renovations	\$ 1,594,797
Campus road improvements	98,140
Java City Café, Library	177,791
Baseball center field drain	149,987
Expanded football visitor seating	779,286
Total	<u>\$ 2,800,001</u>

## ***Economic Outlook***

Fall 2007 undergraduate headcount has increased by approximately 6%.

In early summer, the administration received notice of an increase in recurring state funding in the amount of \$3.7 million for the 2007-08 fiscal year. This funding represents a significant step forward in addressing parity issues with other state institutions. As the result of the added funding, the University Board implemented very modest tuition increases of 1.3% in-state and 2.5% out-of-state for Fall 2007. The Board also elected to provide campus health care services at no additional cost to all undergraduate students.

In fiscal year 2007, the Horry County Higher Education Commission, a related party of the University, fully retired bonds used to construct the Prince building on campus. Due to this accomplishment, at current tax revenue levels, the Commission has access to approximately \$450 thousand a year in county appropriations, giving it the opportunity to issue more bonds on behalf of campus construction. This group voted in a spring meeting to pursue this goal with Horry County. The Commission plans to assist the University in building a wing on Kimbel Library.

**COASTAL CAROLINA UNIVERSITY**

Statement of Net Assets

June 30, 2007

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 25,106,109
Accounts and Pledges Receivable, Net	2,218,994
Due From Component Units	995,737
Accrued Inventory Receivable	399,331
Prepayments	358,814

**RESTRICTED CURRENT ASSETS**

Restricted Cash and Cash Equivalents	<u>15,488,821</u>
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Total Current Assets	<u>44,567,806</u>
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**NONCURRENT ASSETS**

Capital Assets, Net of Accumulated Depreciation	
Land	194,393
Construction in Progress	858,385
Buildings and Improvements	85,633,817
Equipment, Vehicles and Intangible Assets	3,276,996
Other Assets, Net	1,162,769

**RESTRICTED NONCURRENT ASSETS**

Restricted Cash and Cash Equivalents	170,812
Loans to Students, Net	<u>1,400,574</u>

Total Noncurrent Assets	<u>92,697,746</u>
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Total Assets	<u>137,265,552</u>
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts and Retainage Payable	1,775,364
Accrued Payroll and Related Liabilities	3,245,899
Intergovernmental Payables	5,337
Unearned Revenue	3,197,750
Accrued Interest Payable	-
Funds Held for Others	200,053
Accrued Compensated Absences, Current	240,284
Bonds Payable, Current	1,600,000
Capital Lease Payable, Current	101,354

**CURRENT LIABILITIES PAYABLE FROM RESTRICTED CURRENT ASSETS**

Interest Payable	<u>320,304</u>
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Total Current Liabilities	<u>10,686,345</u>
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**NONCURRENT LIABILITIES**

Accrued Compensated Absences	2,199,355
Bonds Payable	41,680,000
Capital Lease Payable	267,404
Other Liabilities	86,787

**NONCURRENT LIABILITIES PAYABLE FROM RESTRICTED CURRENT ASSETS**

Federal Loan Program Liability	<u>1,471,357</u>
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Total Noncurrent Liabilities	<u>45,704,903</u>
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Total Liabilities	<u>56,391,248</u>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	46,314,833
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Restricted For:

Nonexpendable:	
Permanently Restricted	100,000

Expendable:	
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Instruction	36,536
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Capital Projects	13,064,462
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Satisfaction of Debt Covenants (Net of Interest Payable)	2,102,377
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Unrestricted	<u>19,256,096</u>
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Total Net Assets	<u>\$ 80,874,304</u>
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COASTAL CAROLINA UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2007

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowance of \$12,448,981; \$2,020,067 is Pledged for Debt Service on General Obligation Bonds)	\$ 60,037,693
Government Scholarships and Contracts	14,336,101
Sales and Services of Educational Departments	2,527,891
Sales and Commissions of Auxiliary Enterprises (net scholarship allowance of \$1,860,193)	7,018,449
Other Fees	1,073,120
Total Operating Revenues	84,993,254

**EXPENSES**

Personnel Costs and Benefits	57,926,829
Service and Supplies	22,859,221
Utilities	3,280,450
Scholarships	5,974,936
Depreciation	3,267,991
Total Operating Expenses	93,309,427
Operating Loss	(8,316,173)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	16,171,875
Local Appropriations	315,079
Grants and Contracts	15,844
Gifts (Including \$978,530 from Coastal Educational Foundation and \$5,000 from CCU Student Housing Foundation)	1,396,905
Investment and Endowment Income	1,256,909
Interest on Capital Asset Related Debt	(1,740,332)
Net Nonoperating Revenues	17,416,280
Income Gain(Loss) Before Other Revenues, Expenses, Gains or Losses	9,100,107
Capital Appropriations	168,307
Capital Grants and Gifts (Including \$444,502 from Coastal Educational Foundation)	649,901
	9,918,315

**NET ASSETS**

Net Assets - Beginning of Year	71,155,610
Restatement Adjustment	(199,621)
Net Assets- Beginning of Year - Restated	70,955,989
Net Assets - End of Year	\$ 80,874,304

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COASTAL CAROLINA UNIVERSITY**

Statement of Cash Flows

For the Year Ended June 30, 2007

**CASH FLOWS FROM OPERATING ACTIVITIES**

CASH RECEIVED FROM

Students Tuition and Fees	\$ 61,376,392
Governmental Scholarships and Contracts	14,475,371
Perkins Loan Repayments	267,444
Stafford and Parent Loans on Behalf of Students	29,168,329
Stafford and Parent Loans Paid to Students or Applied to Student Accounts	(29,153,292)
CCU Student Housing Foundation	6,031,738
Other Organizations	35,421
Sales and Commissions of Auxiliary Enterprises	
Residence Halls and Food Service	4,514,946
Bookstore	1,009,343
Vending	352,298
Health Service	629,104
Golf Course	1,158,517
Other Receipts	2,547,661

CASH PAID FOR

Suppliers	(26,132,015)
Employees and Fringe Benefit Providers	(57,534,496)
Scholarship Payments to Students	(5,974,936)
Perkins Loans Advanced to Students	(333,763)
CCU Student Housing Foundation	(5,915,211)
Scholarships Applied on Behalf of Other Organizations	18,786
Net Cash Used by Operating Activities	<u>(3,458,363)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	16,171,875
Local Appropriations	240,079
State Grants	15,844
Gifts	1,394,322
Net Cash Provided by Noncapital Financing Activities	<u>17,822,120</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

State Capital Appropriations	350,000
Bond Proceeds	24,595,883
Defeasance of Bonds	(13,272,708)
Capital Gifts	343,366
Purchases of Capital Assets	(2,718,207)
Principal Paid on Capital Debt and Lease	(1,588,294)
Interest Paid on Capital Debt and Lease	(1,685,618)
Net Cash Used by Capital and Related Financing Activities	<u>6,024,422</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Deposits	<u>1,127,777</u>
Net Cash Provided by Investing Activities	<u>1,127,777</u>
Increase in Cash and Cash Equivalents	21,515,956
Cash and Cash Equivalents - Beginning of Year	<u>19,249,786</u>
Cash and Cash Equivalents - End of Year	<u>\$ 40,765,742</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COASTAL CAROLINA UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2007

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (8,316,173)
Operating Expenses Covered by In-Kind Donation	66,839
Bad Debt Expense	692,615
Depreciation Expense	3,267,991
Change in Current Assets and Liabilities:	
Accounts and Loans Receivable	(916,278)
Grants and Contracts Receivable	(4,139)
Inventories	(1,617)
Prepaid Expenses	(46,402)
Unearned Revenue	936,000
Accounts and Retainage Payable	321,654
Funds Held for Others	137,238
Accrued Compensated Absences	11,576
Accrued Payroll and Related Liabilities	<u>392,333</u>
Net Cash Used by Operating Activities	<u><u>\$ (3,458,363)</u></u>

**Supplemental Disclosure:**

Non-Cash Transactions:

Donated Supplies and Services	\$ 66,839
Donated Land and Land Improvements	<u>425,254</u>
	<u><u>\$ 492,093</u></u>

**COASTAL CAROLINA UNIVERSITY**  
**COMPONENT UNIT**  
**COASTAL EDUCATIONAL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$	635,740
Cash Reserved for Long-Term Investment		211,250
Accounts and Pledges Receivable, Net of Allowance (\$198,723 (2007) and \$358,779 (2006), respectively)		3,907,067
Prepaid Expenses		-
Investments		18,664,851
Real Estate Held for Investment		1,946,360
Property Held for Sale		50,000
Cash Surrender Value of Life Insurance		26,433
Net Property and Equipment		3,541,162
Total Current Assets		28,982,863

**Liabilities and Net Assets**

Current Liabilities:

Accounts Payable	\$	2,458
Accounts Payable - Related Party		463,881
Accrued Expenses		9,695
Notes Payable		602,306
Total Current Liabilities		1,078,340

Net Assets

Unrestricted		6,219,635
Temporarily Restricted		12,018,709
Permanently Restricted		9,666,179
Total Net Assets		27,904,523
Total Liabilities and Net Assets	\$	28,982,863

**COASTAL CAROLINA UNIVERSITY**  
**COMPONENT UNIT**  
**COASTAL EDUCATIONAL FOUNDATION**  
**STATEMENT OF ACTIVITY AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Other Support:</b>				
Contributions	\$ 289,605	2,626,813	484,522	3,400,940
<b>Endowed and Other Investment Income</b>				
Interest Income	41,543	-	-	41,543
Dividend Income	250,338	202,865	56,556	509,759
Net Appreciation in Fair Value of Investments	1,156,251	655,637	233,104	2,044,992
Loss on Sale of Investments	(7,124)	-	-	(7,124)
Split Interest Agreement Income	-	583	-	583
Bad Debt Loss Recovery	-	83,579	4,461	88,040
Lease Income	388,158	-	-	388,158
Royalty Income	-	10,193	-	10,193
Net Assets Released From Restrictions	1,209,805	(1,209,805)	-	-
	<u>3,328,576</u>	<u>2,369,865</u>	<u>778,643</u>	<u>6,477,084</u>
<b>Total Revenues, Gains and Other Support</b>				
<b>Expenses:</b>				
<b>Program Services</b>				
Scholarships	\$ 180,690	-	-	180,690
University Support	147,146	-	-	147,146
Facilities Development & Physical Plant	1,037,092	-	-	1,037,092
College of Education	46,394	-	-	46,394
College of Humanities	98,622	-	-	98,622
College of Science	57,785	-	-	57,785
College of Business	530,249	-	-	530,249
General and Administrative	622,288	-	-	622,288
Fundraising Expenses	68,765	-	-	68,765
	<u>2,789,031</u>	<u>-</u>	<u>-</u>	<u>2,789,031</u>
<b>Total Expenses</b>				
Increase in Net Assets	539,545	2,369,865	778,643	3,688,053
Net Assets, Beginning of Year	<u>5,680,090</u>	<u>9,678,844</u>	<u>885,736</u>	<u>24,216,470</u>
Transfer	-	(30,000)	3,000	-
Net Assets, End of Year	<u>\$ 6,219,635</u>	<u>12,048,709</u>	<u>1,664,379</u>	<u>27,904,523</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COASTAL CAROLINA UNIVERSITY**  
**COMPONENT UNIT**  
**CCU STUDENT HOUSING FOUNDATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

**Assets**

Current Assets:	
Cash and Cash Equivalents	\$ 3,381,519
Cash and Cash Equivalents Held by Bond Trustee	3,202,473
Investments	78,889
Prepaid Items	76,855
Property, Net	29,239,131
Bond Issuance Costs, Net	<u>784,616</u>
Total Current Assets	<u><u>36,763,483</u></u>

**Liabilities and Deficit**

Current Liabilities:	
Accounts Payable	\$ 726
Accrued Payable - Related Party	367,719
Interest Payable	452,203
Mortgage Payable	3,300,000
Notes Payable	37,740,000
Deferred Compensation Payable	78,889
Other Liabilities	<u>9,777</u>
Total Current Liabilities	<u>41,949,314</u>
Unrestricted Deficit	<u>(5,185,831)</u>
Total Liabilities and Deficit	<u><u>\$ 36,763,483</u></u>

The accompanying notes are an integral part of the financial statements.

**COASTAL CAROLINA UNIVERSITY**  
**COMPONENT UNIT**  
**CCU STUDENT HOUSING FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITY AND CHANGES IN NET DEFICIT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Operating Revenues and Other Support:	
Housing Fees	\$ 4,799,770
Lease Income	48,000
Expenses Contributed by University	331,144
Investment Return	<u>346,732</u>
Total Operating Revenues and Other Support	5,525,646
 Nonoperating (Revenues) and Expenses	
Student Housing	6,142,484
Support of Coastal Carolina University	311,900
Management and General	<u>182,619</u>
Total Nonoperating (Revenues) and Expenses	<u>6,637,003</u>
 Change in Deficit	(1,111,357)
 Deficit, Beginning of Year, as Originally Reported	(3,078,881)
 Restatement Adjustments	<u>(995,593)</u>
 Deficit, Beginning of Year, Restated	<u>(4,074,474)</u>
 Deficit, End of Year	<u><u>\$ (5,185,831)</u></u>

The accompanying notes are an integral part of the financial statements.

**COASTAL CAROLINA UNIVERSITY**  
Notes to Financial Statements  
June 30, 2007

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

**Nature of Operations:** Coastal Carolina University is a public, mid-sized (8,000 students) comprehensive liberal arts institution offering baccalaureate degrees in the traditional liberal arts and sciences, interdisciplinary studies, and professional schools, along with master's degrees in several specialized areas. The campus primarily serves its immediate five-county area and the state, while honoring its commitment to the citizens of Horry County who founded the University and continue to provide funding to it. Recognizing its responsibility to ensure a student population that is diverse both culturally and geographically, the institution also aggressively recruits statewide, out-of-state, and internationally.

The University is a part of the primary government of the State of South Carolina and its funds are reported in the State's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoint most of their board members and budget a significant portion of their funds.

**Financial Statements Presentation:** The financial statement presentation for the University conforms to the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The University has also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows as well as the net assets, revenues, expenses and changes in net assets of its separately audited component units.

**Reporting Entity:** The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements present the University as the primary government and two discretely presented component units, the Coastal Educational Foundation and the CCU Student Housing Foundation.

The Coastal Educational Foundation (the CEF) is a legally separate, tax-exempt entity which was chartered by the State of South Carolina in October 1954 for the purpose of soliciting, receiving, managing and distributing gifts for educational purposes in support of Coastal Carolina University. The CEF's activities are governed by its board of directors. The Foundation's support comes primarily from contributions from alumni, local individuals and businesses. Although the University does not control the timing or amount of receipts from the CEF, the majority of resources and income thereon that it holds and invests is restricted to the activities of the University by donors. Because these restricted resources can only be used by, or for the benefit of, the University, the CEF is considered a component unit of the University.

The CCU Student Housing Foundation (the Foundation) is also a legally separate, tax-exempt entity which was chartered in 2002 to provide housing for Coastal students and to provide support for various other University programs. The Foundation is supported by housing fees paid by students. The Foundation's activities are governed by its board of directors. The Foundation is considered a component unit because its economic resources are held entirely for the benefit of the University.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

**Reporting Entity:** Continued

Both the CEF and the Foundation are deemed not to be governmental entities because a controlling majority of the membership is not appointed by the University, there is no potential for unilateral dissolution by the University with the net assets reverting to the University, and neither has the power to enact and enforce a tax levy or the ability to issue directly debt that pays interest exempt from federal taxation. Also, both Foundations report their financial results under Financial Accounting Standards Board (FASB) statements, the most significant of which are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Because the Foundations are deemed not to be governmental entities and because they use a different reporting model, their balances and transactions are reported on separate financial statements.

Copies of the separately issued financial statements of both the CEF and the Foundation can be obtained by sending a request to the following address: Executive Director, University Foundations, Foundations Center, P.O. Box 261954, Conway, South Carolina, 29528-6054.

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements 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.

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

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University and its component units consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, component units, 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 and Prepaid Items:** Inventories are carried at the lower of cost or market determined on a moving weighted average basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to 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 12 to 50 years for buildings and improvements and land improvements and 3 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

**Unearned Revenues:** Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. 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. Also included in unearned revenue are grant funds received but not yet expended for their restricted purpose and amounts paid in advance for football tickets.

**Funds Held for Others:** Funds held for others result from the University acting as an agent, or fiduciary, for entities which have a relationship with the University's activities or from the University acting as an agent for certain student loans.

**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 vacation payable in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

**Federal Perkins Loans Receivable and Related Liability:** The loans receivable on the balance sheet are due to the University under the federal Perkins loan program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as federal loan liability is the amount of cumulative federal contributions and a pro-rata share of net earnings on the loans under this program which would have to be repaid to the federal government if the University ceases to participate in the program.

**Net Assets:** The University's net assets are classified as follows:

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

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

**Net Assets:** Continued

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

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

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, as well as for repair and renovations to the physical plant, 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.

**Classification of Revenue and Expense:** The University classifies its revenues and expenses as either operating or non-operating. Operating revenues generally result from exchange transactions arising from the University's principal on-going activity, which is the provision of higher education.

Operating 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 where the provider has identified the student recipients or eligibility criteria; (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. Operating expenses result from providing the goods and services exchanged for the respective revenues.

All revenues and expenses not meeting the definition of operating revenues are reported as non-operating revenues and expenses. Such transactions generally arise from activities that have characteristics of non-exchange transactions. Examples include gifts and contributions, government 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 Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State, or nongovernmental programs, are recorded as either operating or non-operating 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. Scholarships for certain individuals that are required by state law or out-of-state fee differential abatements facilitated by intra-state agreements are recorded as neither tuition and fee revenue nor scholarship allowance.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

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

**Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from grant-related activities, rental of University space, travel-study courses, research and public service centers, and the physical education center.

**Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, bookstore, vending/canteen, food service, health service, and golf course activities. Transactions between the University and its auxiliary enterprises activities have been eliminated.

**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. Governments are exempt from the rebate requirement if they meet certain temporary investment tests, if their bond proceeds are "available construction proceeds", or if they issue no more than \$5 million in total of all such debt in a calendar year. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Potential rebate liability must be calculated annually, and the actual liability must be paid every five years or at maturity of the debt, whichever is earlier. The University has a rebatable arbitrage liability of \$12,739 at June 30, 2007.

**Income Taxes:** The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundations are exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3). No provision for income taxes has been made.

**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 expenditures and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State law requires the University to maintain all deposits with the South Carolina State Treasurer. Accordingly, at June 30, 2007, all University deposits were held by the South Carolina State Treasurer. Readers should refer to the Comprehensive Annual Financial Report of the State of South Carolina for information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 3 – RESTRICTED ASSETS**

The purposes and amounts of University restricted assets at June 30, 2007 are as follows:

CURRENT	
Cash and Cash Equivalents	
Satisfaction of Debt Covenants	\$ 2,424,359
Capital Projects	<u>13,064,462</u>
Total Restricted Current Assets	<u>15,488,821</u>
NON-CURRENT	
Cash and Cash Equivalents	
Federal Perkins Loan Program	70,812
Endowments	100,000
Loans to Students	<u>1,400,574</u>
Total Restricted Non-Current Assets	<u>1,571,386</u>
 Total Restricted Assets	 <u>\$ 17,060,207</u>

**NOTE 4 – ACCOUNTS RECEIVABLE**

University current and non-current receivables for June 30, 2007 are as follows:

CURRENT ACCOUNTS RECEIVABLE	
Student Accounts Receivable	\$ 948,113
Less Allowance for Uncollectible	<u>(209,271)</u>
Student Accounts Receivable, Net	738,842
Third Party Receivables	106,388
Federal Grants and Contracts Receivable	332,429
State Grants and Contracts Receivable	87,996
Non-Governmental Grants and Contracts Receivable	193,854
Local Appropriations Receivable	75,000
Coastal Carolina Booster Club	149,005
Accrued Interest and Endowment Income Receivable	244,604
Gifts Receivable	291,295
Less Allowance for Uncollectible Gifts	<u>(269,100)</u>
Gifts Receivable, Net	<u>22,195</u>
Other Receivables	<u>268,681</u>
Net Total Current Receivables	<u>2,218,994</u>
NON-CURRENT ACCOUNTS RECEIVABLE	
Loans to Students	1,447,508
Less Allowance for Uncollectibles	<u>(46,934)</u>
Net Loans to Students	<u>\$ 1,400,574</u>

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 4 – ACCOUNTS RECEIVABLE**, Continued

Allowances for uncollectible accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. The above schedule does not include amounts due from component units.

**NOTE 5 - LOANS RECEIVABLE**

Student loans made through the Federal Perkins Loan Program of the University comprise all of the loans receivable as of June 30, 2007. The Perkins Loan program provides 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 decides to exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education. At June 30, 2007, the allowance for uncollectible student loans is valued at \$46,934.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the University for the year ended June 30, 2007 is summarized as follows:

	Restated Balance July 1, 2006	Additions	Retirements	Ending Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land	\$ 158,565	35,828	-	194,393
Construction in Progress	1,521,330	2,053,056	(2,716,002)	858,384
Total Capital Assets Not Being Depreciated	<u>1,679,895</u>	<u>2,088,884</u>	<u>(2,716,002)</u>	<u>1,052,777</u>
Capital Assets Being Depreciated:				
Land Improvements	2,880,759	637,554	-	3,518,313
Buildings and Improvements	105,468,637	2,551,874	-	108,020,511
Equipment	5,543,760	515,857	(98,372)	5,961,245
Intangible Assets	359,959	-	-	359,959
Vehicles	721,312	300,742	(113,718)	908,336
Total Other Capital Assets at Historical Cost	<u>114,974,427</u>	<u>4,006,027</u>	<u>(212,090)</u>	<u>118,768,364</u>
Less Accumulated Depreciation For:				
Land Improvements	(1,006,037)	(156,979)	-	(1,163,016)
Buildings and Improvements	(22,370,068)	(2,371,922)	-	(24,741,990)
Equipment	(2,689,072)	(533,783)	98,372	(3,124,483)
Intangible Assets	(318,685)	(22,454)	-	(341,139)
Vehicles	(417,787)	(182,853)	113,718	(486,922)
Total Accumulated Depreciation	<u>(26,801,649)</u>	<u>(3,267,991)</u>	<u>212,090</u>	<u>(29,857,550)</u>
Capital Assets Being Depreciated, Net	<u>88,172,778</u>	<u>738,036</u>	<u>-</u>	<u>88,910,814</u>
Capital Assets, Net	<u>\$ 89,852,673</u>	<u>2,826,920</u>	<u>(2,716,002)</u>	<u>89,963,591</u>

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 6 - CAPITAL ASSETS**, Continued

Major outlays for capital assets and improvements are capitalized as they are constructed. Interest incurred during the construction phase may be capitalized or expensed depending on, among other things, whether the source of funding specifies that it may be used only for the acquisition of specified qualifying assets, and, in certain cases, the amount of interest earnings on unexpended debt proceeds. During the year ended June 30, 2007, the University had no construction interest to capitalize.

**Capital Construction Commitments:** At June 30, 2007, the University had an active construction contract for the Quail Creek irrigation system. To date the University has spent \$374,980 on the project and has \$340,020 remaining on the contract.

**Prior Period Adjustments:** The University received notice from the Horry County Higher Education Commission during fiscal year 2007 that the Singleton Building, Atheneum Hall building, and nearby land were owned by the Commission rather than the University. The buildings, along with the land were removed from the university's books. Please see note 20 for a schedule of the prior period adjustment. An additional reclassification occurred between vehicles and equipment. \$23,960 was added back to vehicles and deducted from equipment. An asset was retired from the incorrect category in FY06.

**NOTE 7 - ENDOWMENTS**

The University holds one permanent endowment of \$100,000. The cash and cash equivalents, with a fair market value at June 30, 2007 of \$100,000 are recorded in non-current assets, restricted cash. If a donor has not provided specific instructions otherwise, section 34-6-20 of the South Carolina Code of laws permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) over historical dollar value of the endowment funds. The income earned on the endowment is spent for the purpose for which it was established, faculty research support. It is the University's policy to authorize and spend investment income only at the budgeted amount of 5% of the most recent June 30 fair market value.

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue for the University at year-end is comprised of tuition prepayments of \$743,826, grant and contract funds of \$1,809,699, housing prepayments of \$309,485, student housing foundation \$144,342, advance football ticket sales and athletic advertising fees of \$181,569, and auxiliary gift certificates of \$8,828.

**NOTE 9 - LEASE OBLIGATIONS**

*Operating Leases*

The University leases classroom and office facilities and a golf course from external parties under terms of non-cancelable operating leases having terms in excess of one year. Total payments for such leases were \$1,155,370 for the year ended June 30, 2007. Future minimum lease payments under terms of these leases are as follows:

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 9 – LEASE OBLIGATIONS**, Continued

Operating Leases, Continued

<u>Year Ending June 30</u>	<u>Principal</u>
2008	\$ 1,102,137
2009	1,044,415
2010	517,548
2011	97,951
2012	36,734
Therafter	<u>-</u>
Total	<u>\$ 2,798,785</u>

The University also leases from external third parties storage space, an activity field, and classroom, office and clinic facilities in accordance with operating leases with fixed annual payments and terms of one year or less. Payments for such space during fiscal 2007 were \$229,460. Also, the University leases copiers in accordance with operating leases with fixed annual payments and terms of one year or less. Copier lease payments for the fiscal year were \$210,837.

*Capital Leases*

The University has entered into one capital lease in order to finance the acquisition of various pieces of equipment. The lease is payable in annual installments of \$111,969, including interest at 3.09%, through fiscal 2011. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of its future minimum lease payments as of the inception date. Carrying value of the leased assets is \$487,572, net of accumulated depreciation of \$212,428.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

<u>Year Ending June 30</u>	<u>Capital Lease Principal</u>
2008	\$ 111,969
2009	111,969
2010	111,969
2011	55,983
2012	<u>-</u>
Total Minimum Lease Payments	391,890
Less: Interest	<u>(23,132)</u>
Present Value of Minimum Lease Payments	<u>\$ 368,758</u>

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 10 – BONDS PAYABLE**

For the University, bonds payable consisted of the following at June 30, 2007:

	<u>Balance at Interception</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>June 30, 2007</u>
Revenue Bonds				
Series 1999S	\$ 24,545,000	4.875% to 5.3%	6/1/2026	8,270,000
Series 2004 Refunded	13,895,000	4.09%	6/1/2018	3,220,000
Series 2006 Refunded	13,175,000	3.75% to 4.25%	6/1/2026	<u>12,855,000</u>
Total Revenue Bonds				<u>24,345,000</u>
State Institution				
General Obligation 2002	8,750,000	3.25% to 4.625%	9/1/2022	7,635,000
General Obligation 2006	11,300,000	4.25% to 6.00%	10/1/2026	<u>11,300,000</u>
Total State Institution Bonds				<u>18,935,000</u>
Total Bonds Payable				<u><u>43,280,000</u></u>

Revenue bonds are payable from and secured by a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds, and by a pledge of additional funds, which are all available funds and academic fees of the University except for those which are not (i) otherwise designated or restricted; (ii) funds derived from State appropriations; and (iii) tuition funds pledged to the repayment of State institution bonds, if any. The University has also secured insurance contracts for its revenue bonds which guarantee payment of principal and interest in the case such required payment has not been made, for a period equal to the final maturity of the bonds. Certain of the bonds payable are callable at the option of the University.

State institution bonds are general obligation bonds backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged in the amount of \$175 per full time in-state student, \$185 per full time out-of-state student and \$10 per graduate credit hour. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bonds fees for the preceding year were \$1,687,780 which results in a legal annual debt service of June 30, 2007 of \$1,519,002.

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Revenue Bonds			
2008	970,000	1,076,371	2,046,371
2009	1,010,000	1,031,558	2,041,558
2010	1,060,000	984,872	2,044,872
2011	1,105,000	941,070	2,046,070
2012	1,155,000	895,518	2,050,518
2013-2017	6,535,000	3,693,453	10,228,453
2018-2022	6,505,000	2,251,486	8,756,486
2023-2026	<u>6,005,000</u>	<u>709,715</u>	<u>6,714,715</u>
	<u>\$ 24,345,000</u>	<u>11,584,043</u>	<u>35,929,043</u>

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 10 – BONDS PAYABLE**, Continued

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds			
2008	630,000	804,845	1,434,845
2009	650,000	774,964	1,424,964
2010	675,000	743,776	1,418,776
2011	700,000	711,526	1,411,526
2012	730,000	677,101	1,407,101
2013-2017	4,115,000	5,868,406	9,983,406
2018-2022	5,075,000	1,918,164	6,993,164
2023-2026	<u>6,360,000</u>	<u>699,106</u>	<u>7,059,106</u>
	<u>\$ 18,935,000</u>	<u>12,197,888</u>	<u>31,132,888</u>

**Defeased Debt**

On November 1, 2006, the University issued bonds to refund portions of earlier issues. Proceeds from the sale were placed in an irrevocable trust that is to be used to service the future debt requirements of the earlier bond issue. This refunding resulted in an economic gain and reduced future cash requirements to pay off the debt. The economic gain realized in this refunding was \$603,041. The cash flow savings from the refunding were as follows:

Cash Flow Requirements to Service the Prior Bond Issue	\$ 34,626,973
Less: Cash Flow Requirements for New Debt	<u>33,672,509</u>
Net Saving from Refunding	<u>\$ 954,464</u>

In prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2007, \$12,240,000 of bonds outstanding are considered defeased, which includes the bonds considered defeased during the current year.

**NOTE 11 – LONG-TERM LIABILITIES**

Long-term liability activity for the University for the year ended June 30, 2007 was as follows:

	<u>June 30,</u> <u>2006</u>	<u>Addition</u>	<u>Reductions</u>	<u>June 30,</u> <u>2007</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable					
General Obligation Bonds	\$ 7,935,000	11,300,000	300,000	18,935,000	630,000
Revenue Bonds	<u>24,600,000</u>	<u>935,000</u>	<u>1,190,000</u>	<u>24,345,000</u>	<u>970,000</u>
Total Bonds Payable	<u>32,535,000</u>	<u>12,235,000</u>	<u>1,490,000</u>	<u>43,280,000</u>	<u>1,600,000</u>
Capital Lease Obligations	467,052	-	98,294	368,758	101,354
Federal Loan Program Liability	1,459,781	11,576	-	1,471,357	-
Accrued Compensated Absences	<u>2,155,488</u>	<u>527,210</u>	<u>243,059</u>	<u>2,439,639</u>	<u>240,284</u>
Total Other Liabilities	<u>4,082,321</u>	<u>538,786</u>	<u>341,353</u>	<u>4,279,754</u>	<u>341,638</u>
Total Long-Term Liabilities	<u>\$ 36,617,321</u>	<u>12,773,786</u>	<u>1,831,353</u>	<u>47,559,754</u>	<u>1,941,638</u>

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 11 – LONG-TERM LIABILITIES**, Continued

Additional information regarding Capital Lease Obligations is included in Note 9. Additional information regarding Bonds Payable is included in Note 10.

**NOTE 12 – OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2007 are summarized as follows:

	Natural Classification					
	Personnel Costs and Benefits	Services and Supplies	Utilities	Scholarships	Depreciation	Total
Instruction	\$ 29,194,067	4,519,231	36,302	-	-	33,749,600
Research	589,949	398,923	2,831	-	-	991,703
Public Service	974,749	553,146	2,821	-	-	1,530,716
Academic Support	4,240,834	1,288,965	14,698	-	-	5,544,497
Student Services	8,295,532	5,277,160	91,058	-	-	13,663,750
Institutional Support	6,566,607	1,921,211	73,075	-	-	8,560,893
Plant Operation	6,091,489	6,031,502	2,300,882	-	-	14,423,873
Scholarships	245,802	-	-	5,974,936	-	6,220,738
Auxiliary Enterprises	1,727,800	2,869,083	758,783	-	-	5,355,666
Depreciation	-	-	-	-	3,267,991	3,267,991
<b>Total Expenses</b>	<b>\$ 57,926,829</b>	<b>22,859,221</b>	<b>3,280,450</b>	<b>5,974,936</b>	<b>3,267,991</b>	<b>93,309,427</b>

**NOTE 13 – PENSION PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. The financial statements of the Retirement Division may also be found on the State Auditor's website: [www.osa.state.sc.us](http://www.osa.state.sc.us). Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

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

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 13 – PENSION PLANS**, Continued

South Carolina Retirement System, Continued

Employees participating in the SCRS are required to contribute 6.5 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 11.40 percent, which included a 3.35 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2007, 2006, and 2005, were \$2,990,128, \$2,760,861, and \$2,463,160, respectively, and equaled the required contributions (including the required surcharge) for each year. Also, Coastal Carolina University paid employer group-life insurance contributions of \$39,344, in the current fiscal year at the rate of .15 percent of compensation.

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

Employees participating in the PORS are required to contribute 6.5 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 13.65 percent, which, as for the SCRS, included the 3.35 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2007, 2006, and 2005 were \$106,376, \$79,339, and \$60,572, respectively, and equaled the required contributions (including the required surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$1,559 and accidental death insurance contributions of \$1,559 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

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

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first fifteen days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.35 percent from the employer in fiscal year 2007.

Certain of the Coastal Carolina University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,599,278 (including the surcharge) from the University as employer and \$911,869 from its employees as plan members. 6.55 percent of all contributions were remitted to the Retirement Division of the State Budget and Control Board and 11.50 percent of all contributions were remitted directly to the respective annuity providers. The obligation for payment of benefits resides with the insurance companies.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 13 – PENSION PLANS**, Continued

**Deferred Compensation Plans:** Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of Coastal Carolina 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.

**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. Employees who entered the TERI Program prior to July 1, 2006, do not make contributions to the South Carolina Retirement Systems. Employees who entered the TERI Program after June 30, 2006, do make contributions to the South Carolina Retirement Systems at the same rate as active employees. TERI participants do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits.

**NOTE 14 – POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

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

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

Coastal Carolina University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,958,913 for the year ended June 30, 2007. As discussed in Note 12, the University paid \$3,486,198 applicable to the 3.35 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 14 – POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS**, Continued

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

**NOTE 15 – 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 include the Horry County Higher Education Commission, the Georgetown County Advisory Board for Coastal Carolina University, and the Coastal Carolina Booster Club, Inc. While they are not financially accountable to the University, these organizations exist primarily to provide financial assistance and other support to the University and its educational program. The activities of these entities are not included in the University's financial statements. However, the University's statements for the year ended June 30, 2007, include significant transactions between them and the University which are as follows:

**The Horry County Higher Education Commission:** The Horry County Higher Education Commission was created by Act No. 114 in the 1959 Session of the South Carolina General Assembly. The Commission is composed of sixteen members who are appointed by the Horry County Legislative Delegation. The Commission is responsible for providing resources to meet the goals and carry out the mission of Coastal Carolina University, and to expend funds, including proceeds of bonds issued by Horry County, to provide buildings and equipment for the University. The Commission receives an annual appropriation from Horry County to accomplish these objectives. During the year ended June 30, 2007, the Commission made grants to Coastal Carolina University totaling \$397,250, none of which was receivable at year end. Of the total, \$112,250 was for scholarships, \$95,000 for public service projects, \$110,000 for academic enhancement projects, \$15,000 for staff development and \$65,000 for capital improvements at the Burroughs and Chapin Center for Marine and Wetlands Studies. The Commission leases its land and buildings to the University at a below-market rental under terms of annual leases. Rent paid by the University during the fiscal year 2007 was \$1, none of which was payable at year end. Also, as required by the lease, the University insures the Commission's buildings and improvements. The University provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. At June 30, 2007, the Commission had assets of \$2,237,448.

The Commission completed a study of the property it owns and determined that it owns the Singleton Building, built in 1964, and Atheneum Building, built in 1984, as well as the related land. The two buildings were previously incorrectly reported as property of Coastal Carolina University. As a result, a restatement adjustment was made to record the value of these buildings, net of accumulated depreciation, which increased the Commission's net assets as follows:

Net Assets, Beginning of Year	\$ 2,037,827
Restatement Adjustment	<u>199,621</u>
Net Assets, End of Year	<u><u>\$ 2,237,448</u></u>

Please see Note 20 for further information.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 15 – RELATED PARTIES**, Continued

**Georgetown County Advisory Board for Coastal Carolina University:** Georgetown County annually appropriates funds to support the mission of Coastal Carolina University in Georgetown County. The Georgetown County Advisory Board for Coastal Carolina University is responsible for the budgeting and distribution of these funds. During the year ending June 30, 2007, the University received \$75,000 in revenue from the Advisory Board all of which was receivable at year end. Expenditures made on behalf of the University for scholarships and the development of facilities in Georgetown County were approximately \$46,119.

**Coastal Carolina Booster Club, Inc.:** The Booster Club, also known as the Chanticleer Club, was organized solely to raise funds for Coastal Carolina University's athletics programs. During the year ended June 30, 2007, the Club donated \$366,016 to University athletics programs, of which, \$149,005 was receivable at year end. The Club receives management and accounting services from the University. At June 30, 2007, the Club had assets of \$697,090.

**Transactions with the State of South Carolina:** The University has significant transactions with the State of South Carolina and various State agencies. The University receives various business, banking and legal services at no cost, and purchases various goods and services from State agencies and component units. The amounts of such expenditures for 2007 are not readily available. At June 30, 2007, accounts receivable included \$87,996 due from other State agencies primarily for Federal and State sponsored projects, and accounts payable included \$5,337 due to other State agencies. As part of a cooperative agreement with Horry Georgetown Technical College (HGTC), which is located adjacent to the University and its golf course, HGTC staff and turf management students maintained the golf course. The University reimbursed HGTC for \$623,978 for related costs incurred.

**NOTE 16 – RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets, and the State itself assumes substantially all the risk for the following claims of covered employees: unemployment compensation benefits; worker's compensation benefits for job-related illnesses or injuries; health and dental insurance benefits; long-term disability and group-life insurance benefits. Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities: theft, damage to, or destruction of assets; real property, personal property, business interruption, equipment, motor vehicles, watercraft, torts, and professional services.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation and for officers' and directors' errors and omissions.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 17 – COMPONENT UNITS**

**The Coastal Educational Foundation:**

The Coastal Educational Foundation (the CEF) is a separately chartered corporation organized exclusively to support Coastal Carolina University. As discussed in Note 1, the CEF has been included in the reporting entity as a component unit. Because CEF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

The CEF transfers funds earmarked from private contributions to the University to support University scholarships and various academic programs. These transfers for fiscal year 2007 were recorded by the University as non-operating gift revenues totaling \$978,530. The CEF also made capital gifts to the University totaling \$444,502 which were recorded as capital grants in the Statement of Revenues, Expenditures and Changes in Net Assets. Of these amounts, \$463,881 was receivable by the University and payable by the Foundation at year end.

In addition, the CEF makes direct payments on behalf of the University in furtherance of the University's mission. An additional \$674,946 in expenses were incurred directly by the CEF for various services, including \$560,950 in lease payments, property taxes, interest and fees, debt service and other costs related to the Coastal Science Center and the Foundations Center. The University in turn leased the same property from the Foundation for \$388,158. (See the discussion in note 9.)

In further support of the University, the CEF owns parcels of real property on which portions of the University's campus is located. At June 30, 2007, the carrying value of this property was \$3,541,162, net of \$244,074 accumulated depreciation. The Foundation does not charge rent for most of this property. The University, in turn, provides operational and fundraising staff for which it does not charge the Foundation. The University paid rent of \$23,070 in fiscal year 2007 to the Foundation for one parcel of land.

The CEF carries investments in marketable equity securities with readily determinable fair market values, and all debt securities, at fair value in the Statement of Financial Position. Investment income is considered unrestricted unless the donors have specified otherwise. Unrealized gains and losses are netted with realized gains and losses in the statement of activities. Donated investments are valued at fair market value at the date of donation. Investments in non-publicly traded securities of closely held entities with no readily determinable market value are carried on the books at established fair value at the date of donation to the Foundation. Dividend income is considered unrestricted unless the donor has specified otherwise. Investments in non-publicly traded closely held partnerships with no readily determinable market value are carried on the books at established fair value at the date of donation or distribution to the Foundation and accounted for under the cost method of accounting for investments, except for certain liquidating distributions which reduce the value of the investment.

A summary of investments at fair value at June 30, 2007 follows:

<u>Commonfund Investments</u>	
Multi-Strategy Equity Funds	\$ 11,950,767
Multi-Strategy Bond Funds	<u>6,507,089</u>
Total Privately Managed Funds	<u>18,457,856</u>
Public Traded Securities	<u>5,839</u>
Total Privately Managed Funds	<u>5,839</u>
<u>Closely Held Investments</u>	
Common Stock	190,000
Partnership Interest	<u>11,156</u>
Total Closely Held Investments	<u>201,156</u>
Total Investments	<u>\$ 18,664,851</u>

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 17 – COMPONENT UNITS**, Continued

During the year ended June 30, 2007, three University Board of Trustees members also served as members of the Coastal Educational Foundation Board, one serving as CEF Treasurer.

**CCU Student Housing Foundation**

The CCU Student Housing Foundation (the Foundation) is a separately chartered corporation organized to provide housing for students at the University, as well as to provide support for the various programs of the University. The CCU Housing Foundation, LLC, (the Company) the sole member and owner of which is the Foundation, operates University Place, an apartment style housing complex located approximately one half mile from the campus. As discussed in Note 1, the Foundation has been included in the reporting entity as a component unit. Because the Foundation is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

At June 30, 2007, the Foundation's carrying value of the University Place housing complex was \$24,765,702, net of \$3,731,096 accumulated depreciation. The Company's carrying value of University Place furnishings was \$1,203,269, net of \$647,913 accumulated depreciation. The carrying value of the Foundation's land and buildings on expansion property was \$3,270,160, net of \$29,840 accumulated depreciation.

The Foundation and the Company owe debt in the amount of \$41,040,000 at June 30, 2007, \$37,740,000 of which is the Company's liability on its leasehold investment in University Place and \$3,300,000 of which is a mortgage on future expansion property, located contiguous to campus.

Interest on the Company's bonds is payable semi-annually and varies from four to five percent. The bonds mature in varying amounts through 2031. The Company's obligations under the bond agreements are collateralized by, among other things, a leasehold mortgage and assignment of rents and leases applicable to University Place. Annual debt service coverage ratio required by the bond agreement is 1.2:1.

In order to market, operate and maintain its University Place student housing complex, the Foundation entered into a Management Agreement with Coastal Carolina University for the 2007 fiscal year. The agreement provided that the University receives 4 percent of collected revenues and an additional 2 percent after applicable debt ratios and bond covenants are met. The agreement is renewable annually. During the year ended June 30, 2007, the Foundation paid the University \$274,621 in management fees which were recorded as auxiliary revenue in the statement of changes in net assets.

In its capacity as manager, the University pays operating expenses on behalf of the Company and management expenses on behalf of the Foundation and applies for reimbursement once a year. At June 30, 2007, \$367,719 was payable to the University for such expenses. The University also collects rent through its student receivables system. Student rent and related fees are transferred to the Foundation each semester based on billings posted to student accounts receivable accounts regardless of whether the fees have been collected by the University. The University and the Foundation agreed during the first semester for which the University served as manager, that the University may maintain an allowance in its accounts for amounts which it will be unable to collect from students. The allowance, which was withheld from revenue paid to the Foundation during the first year of operation of the housing complex, was \$30,786 at June 30, 2007. Accordingly, the Foundation did not report housing fees receivable at year end.

In accordance with terms of the bonds discussed above, the Foundation and its subsidiary have entered into a Support Agreement with the University. This agreement provides that the University will refer students to University Place and identify University Place as "Preferred Residential Housing" and will use its best efforts to see that the debt service ratio required by lenders is maintained. The agreement also requires the University to provide at no cost to itself the same internet and intranet services and campus

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 17 – COMPONENT UNITS**, Continued

life programs to residents of University Place as it provides to students living in University owned housing, including health care services. Furthermore, the agreement restricts the University's ability to operate or own any other off-campus student housing facility. During the year ended June 30, 2007, the Company paid the University \$361,850 to provide technology and student health services to residents of University Place. The management agreement requires the University to collect all University Place rents, an obligation it fulfills through its student accounts receivable system.

During the fiscal year, the University donated goods and services to the Foundation in support of the operation of University Place, including security, alarm monitoring, repair and maintenance, residence life support, and student services in the amount of \$331,144. The University provided administrative management services for the Foundation and office space for staff providing the applicable services. The value of these services was \$86,372.

During the year, the University also provided meal stipends for residence hall advisors who are assigned to the Foundation's apartments. In addition, the University, through a grant to the Waccamaw Regional Transportation Authority, provided shuttle service from University Place to the campus and to area shopping and entertainment facilities.

As a part of the 2007 audit process, the University reviewed its support for the Student Housing Foundation. The University determined that it had provided certain services to the Housing Foundation which might have been reimbursable to the University. In a review of the previous three years, the University established a June 30, 2007 receivable from the Housing Foundation of \$773,576. The Housing Foundation only booked a 2007 payable to the University of \$248,788, based on its understanding of the management agreement with the University. Negotiations and inquiries are ongoing to resolve the amount for which state law requires reimbursement. Due to this discrepancy, the University has established an allowance of \$398,395 on the receivable.

In addition to using the University to manage its University Place property during fiscal 2007, the Housing Foundation purchased landscape, facilities maintenance and security services from the University. In turn, the Foundation provided short term housing at no cost to the University's new police chief, to assist him in his review of security at University Place.

As of July 15, 2007, the Foundation terminated the University as property manager and hired an unrelated property management company to manage University Place apartments. The manager is negotiating with the University to continue to provide billing and collection services, internet, intranet and IT support services, as well as security and alarm monitoring services to the project.

The Foundation, in turn, provides a car allowance and club membership for its executive director, an employee of the University who also serves as executive director of the Coastal Education Foundation, an organization whose objective is to provide financial support to the University. The amount of this allowance was \$12,713 during fiscal 2007. The amount paid for the club membership was \$4,584. The Foundation also provided a \$7,500 salary supplement for a University employee who assists its executive director.

During the year, the Foundation provided supplemental compensation for the President of Coastal Carolina University. In fiscal 2005, in order to compensate him for his work on its behalf and to assist the University in retaining his services as president past the mandatory retirement age, the Foundation entered into an agreement to provide supplemental compensation to the University president which vested on January 1, 2006. The agreement provided that the Foundation would supplement the President's salary with certain cash payments and by providing \$75,000 for investment in a brokerage account which would be given to him upon his retirement, plus or minus any gain or loss thereon. The Foundation recognized a \$75,000 expense in the year the account was established. The value of the account to which he was entitled during 2007 was \$96,700. The Foundation also paid a supplement to the President's salary of \$52,641. Expense recognized during the year totaled \$74,341.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 17 – COMPONENT UNITS**, Continued

Also, the Foundation has entered into a lease guaranty agreement with owners of a golf course which the University leases as part of its Professional Golf Management program. Under terms of the guaranty agreement, the Foundation will assume the University's position should the University terminate, elect not to renew, or default pursuant to terms of the lease.

In 2005 the Foundation paid \$3,300,000 to purchase property adjacent to the University. The purpose of the purchase was to hold the land for possible future expansion by the University. During 2006, the University agreed to lease the two houses located on the property, pending a decision about how the property will eventually be used. During fiscal year 2007, the Foundation paid interest of \$202,655 on the \$3,300,000 short-term mortgage on property and received \$48,000 in rent from the University.

Two members of the Foundation Board and its executive committee also serve concurrently as University Board members. In fiscal year 2007, the chair of the University Board also served as chair of the Foundation Board.

The Foundation has paid for legal services from a law firm, the founder of which is a relative of a University employee who works on behalf of the Foundation.

In fiscal year 2007 the Foundation paid a consultant who has an ownership interest in the golf course leased by the University, for which the Housing Foundation has entered into a lease guaranty.

In August 2007, the South Carolina Budget and Control Board approved the Foundation's plan for the South Carolina Jobs Economic Development Authority to issue bonds to finance the sale of either a leasehold interest in the University Place apartments or the apartment buildings themselves to the Texas-based 501(c)(3) non-profit American Housing Foundation. The potential sale also includes a plan for this non-profit to purchase the competitor apartments adjacent to University Place. Negotiations are ongoing between the University and the Foundation in the crafting of an amended support agreement relative to this sale.

**NOTE 18 – CONTINGENCIES AND LITIGATION**

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 is a defendant in various legal actions the outcome of which is not presently determinable. In the opinion of the University's counsel, the resolution of these matters will not have a material adverse effect on the University's financial position.

**NOTE 19 – COMMITMENTS**

**ATHLETIC FIELD HOUSE PROJECT** - The CEF has agreed to facilitate construction of an athletic field house adjacent to the University's football field. The CEF will issue \$3.1 million tax exempt bonds for the project through the South Carolina Jobs Economic Development Authority. The South Carolina Budget and Control Board approved selection of bond counsel for the offering at its June 21, 2006 meeting. The bonds will not be issued until needed as cash flow for the project. At the October 6, 2006 CEF Board of Director's meeting, it was announced that \$3.5 million in pledges and contributions were obtained. The CEF made a commitment to the University to assist in funding the project through issuing the bonds mentioned above. Due to various factors, the total expected project cost has grown from \$6.1 million in 2006 to over \$14 million, and the University does not yet have state Budget and Control Board approval for the increase, which will need to be funded wholly from University resources.

**COASTAL CAROLINA UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2007

**NOTE 20 – PRIOR PERIOD ADJUSTMENT**

The University corrected an error regarding the ownership of certain campus land and buildings. It was determined during fiscal year 2007 that the Singleton Building, Atheneum Hall, and nearby land belonged to the Horry County Higher Education Commission instead of the University. The University has restated its beginning net assets as of July 1, 2006 to correct this error, and the details are disclosed in the following schedule.

Net Assets, as Previously Reported:	\$ 71,155,610
Restatement Adjustment	
Removal of Land	(35,700)
Removal of Buildings	(544,083)
Removal of Related Depreciation	<u>380,162</u>
Total Restatement Adjustments	(199,621)
Net Assets, June 30, 2006, as restated:	<u><u>\$ 70,955,989</u></u>

**OTHER FINANCIAL INFORMATION**

**COASTAL CAROLINA UNIVERSITY**  
Schedule of Information on Business-Type Activities  
Required for the Government-Wide  
Statement of Activities in the State CAFR  
For the Year Ended June 30, 2007

	Year Ended June 30,		Increase (Decrease)
	2007	2006	
Charges for Services	\$ 84,993,254	74,451,766	10,541,488
Operating Grants and Contributions	2,968,893	2,823,166	145,727
Capital Grants and Contributions	649,901	944,968	(295,067)
Less Expenses	(95,049,759)	(86,418,258)	(8,631,501)
Net Program Revenue (Expense)	<u>(6,437,711)</u>	<u>(8,198,358)</u>	<u>1,760,647</u>
General Revenues			
Earnings on Investments	-	-	-
Special Items	-	-	-
Extraordinary Items	-	-	-
Contributions to Permanent and Term Endowments	<u>-</u>	<u>-</u>	<u>-</u>
Transfers			
State Appropriations	16,171,875	13,562,113	2,609,762
Research Infrastructure Bond Proceeds	168,307	1,181,693	(1,013,386)
Other Transfers in from State Agencies	<u>15,844</u>	<u>15,844</u>	<u>-</u>
Total General Revenue and Transfers	<u>16,356,026</u>	<u>14,759,650</u>	<u>1,596,376</u>
Change in Net Assets	9,918,315	6,561,292	3,357,023
Net Assets - Beginning	<u>71,155,610</u>	<u>64,594,318</u>	<u>6,561,292</u>
Restatement Adjustments	(199,621)	-	(199,621)
Net Assets - Beginning of Year, Restated	<u>70,955,989</u>	<u>64,594,318</u>	<u>6,361,671</u>
Net Assets - Ending	<u>\$ 80,874,304</u>	<u>71,155,610</u>	<u>9,718,694</u>

**COASTAL CAROLINA UNIVERSITY**  
 Schedule Reconciling State Appropriation Per the Financial Statements  
 To State Appropriation Recorded in State Accounting Records  
 For the Year Ended June 30, 2007

Following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 5F of Part IA of the 2006 and 2007 Appropriation Act enacted by the South Carolina General Assembly to State Appropriations revenue reported in the financial statements for the year ended June 30, 2007.

**Non-Capital Appropriations**

Original Appropriation	\$ 12,252,967
Technology Grant Program	823,880
Supplemental Appropriations	2,608,122
State Budget and Control Board Allocations for Employee Base Pay Increases and Related Employee Benefits	414,604
South Carolina Department of Education Service Learning Engagement	65,000
South Carolina Endowment Incentive Act of 1997	<u>7,302</u>
the Financial Statements	<u><u>\$ 16,171,875</u></u>

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$ 350,000
Less: Expenses Incurred in Prior Fiscal Year	<u>(181,693)</u>
Total Research Infrastructure Bond Proceeds Recorded As Current Year Revenue	<u><u>\$ 168,307</u></u>

**COASTAL CAROLINA UNIVERSITY**  
Schedule of Tuition Fees  
For the Year Ended June 30, 2007

South Carolina Code of Laws Section 59-107-90 requires that the maximum amount of annual debt service on State institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees (as defined by Code Section 59-107-30) for the preceding year. The applicable amount for the year ended June 30, 2007 is as follows:

Amount of Tuition Fees as Defined by Code Section 59-107-30 for the Fiscal Year Ended June 30, 2006	<u>\$ 1,687,780</u>
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Legal Annual Debt Service Limit at June 30, 2007	<u>\$ 1,519,002</u>
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# COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## STATISTICAL SECTION



*E. Craig Wall, Sr. College of Business Building – Front Entrance*

**This part of the University’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the University’s overall financial health. Unless otherwise noted, the information in this section is derived from the comprehensive annual financial report of the relevant year. The University implemented GASB Statement No. 34 in 2002; certain schedules include information beginning in that year.**



## **FINANCIAL TRENDS**

*These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.*

**Schedule 1**  
**Coastal Carolina University**  
**Schedule of Net Assets by Component**  
**Fiscal Years 2002 - 2007**

	For the year ended June 30					
	2007	2006	2005	2004	2003	2002
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 46,314,833	\$ 57,050,243	\$ 54,822,552	\$ 53,844,656	\$ 48,759,779	\$ 49,347,474
Restricted - non-expendable	100,000	97,953	102,626	102,934	103,546	101,260
Restricted - expendable	15,203,375	3,119,736	637,981	1,238,953	5,282,000	42,477
Unrestricted	19,256,096	10,887,678	9,031,159	5,969,709	4,396,078	5,608,593
<b>Total Net Assets</b>	<b>\$ 80,874,304</b>	<b>\$ 71,155,610</b>	<b>\$ 64,594,318</b>	<b>\$ 61,156,252</b>	<b>\$ 58,541,403</b>	<b>\$ 55,099,804</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

**Schedule 2**  
**Coastal Carolina University**  
**Schedule of Major Revenue Sources**  
**Fiscal Years 2002 – 2007**

For the year ended June 30  
(dollars)

	2007	2006	2005	2004	2003	2002
Tuition, net of allowance	\$ 60,037,693	\$ 51,186,504	\$ 43,074,537	\$ 35,779,409	\$ 28,458,464	\$ 24,037,171
State grants to students	6,725,629	6,368,500	5,637,258	4,493,503	3,360,109	1,491,237
Federal grants to students	5,031,709	4,631,878	4,866,852	4,403,041	3,941,964	3,427,673
Other operating grants	2,578,763	2,643,014	2,104,181	2,736,269	2,412,206	2,276,642
Sales and services of educ activities	2,527,891	1,957,787	1,788,649	1,734,367	965,243	833,697
Auxiliary enterprises, net of allowance	7,018,449	6,538,216	5,305,441	5,149,927	4,670,935	4,734,807
Other fees	1,073,120	1,125,867	999,332	861,376	652,174	671,842
<b>Total operating revenue</b>	<b>84,993,254</b>	<b>74,451,766</b>	<b>63,776,250</b>	<b>55,157,891</b>	<b>44,461,094</b>	<b>37,473,069</b>
State appropriations	16,171,875	13,562,113	11,792,079	11,220,170	12,579,167	14,110,923
Local appropriations	315,079	338,539	214,889	218,067	243,480	312,160
Gifts	1,412,749	2,074,663	2,503,349	3,047,176	1,450,680	910,878
Investment income	1,256,909	425,808	402,465	92,668	903,026	286,067
<b>Total non-operating revenue</b>	<b>19,156,612</b>	<b>16,401,123</b>	<b>14,912,782</b>	<b>14,578,081</b>	<b>15,176,353</b>	<b>15,620,028</b>
<b>Total non-capital revenue</b>	<b>\$104,149,866</b>	<b>\$90,852,889</b>	<b>\$78,689,032</b>	<b>\$69,735,972</b>	<b>\$59,637,447</b>	<b>\$ 53,093,097</b>

(percentages of total)

Tuition, net of allowance	57.6%	56.3%	54.7%	51.3%	47.7%	45.3%
State grants to students	6.5%	7.0%	7.2%	6.4%	5.6%	2.8%
Federal grants to students	4.8%	5.1%	6.2%	6.3%	6.6%	6.5%
Other operating grants	2.5%	2.9%	2.7%	3.9%	4.0%	4.3%
Sales and services of educ activities	2.4%	2.2%	2.3%	2.5%	1.6%	1.6%
Auxiliary enterprises, net of allowance	6.7%	7.2%	6.7%	7.4%	7.8%	8.9%
Other fees	1.0%	1.2%	1.3%	1.2%	1.1%	1.3%
<b>Total operating revenue</b>	<b>81.6%</b>	<b>81.9%</b>	<b>81.0%</b>	<b>79.1%</b>	<b>74.6%</b>	<b>70.6%</b>
State appropriations	15.5%	14.9%	15.0%	16.1%	21.1%	26.6%
Local appropriations	0.3%	0.4%	0.3%	0.3%	0.4%	0.6%
Gifts	1.4%	2.3%	3.2%	4.4%	2.4%	1.7%
Investment income	1.2%	0.5%	0.5%	0.1%	1.5%	0.5%
<b>Total non-operating revenue</b>	<b>18.4%</b>	<b>18.1%</b>	<b>19.0%</b>	<b>20.9%</b>	<b>25.4%</b>	<b>29.4%</b>
<b>Total non-capital revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

**Schedule 3**  
**Coastal Carolina University**  
**Schedule of Expenses by Function**  
**Fiscal Years 2002 - 2007**

For the year ended June 30

(dollars)

	2007	2006	2005	2004	2003	2002
Instruction	\$ 33,749,600	\$ 30,302,652	\$ 27,433,692	\$ 25,798,618	\$ 22,786,032	\$ 19,780,013
Research	991,703	1,130,243	689,398	966,347	743,184	757,827
Public Service	1,530,716	1,402,660	1,188,870	1,533,278	1,290,221	1,284,841
Academic Support	5,544,497	5,444,440	5,193,271	4,485,906	4,032,686	3,833,185
Student Services	13,663,750	12,499,087	10,836,863	9,341,425	8,053,622	6,499,506
Institutional Support	8,560,893	8,180,490	7,383,968	6,374,436	5,645,194	4,806,304
Plant Operation	14,423,873	12,700,415	9,488,335	7,330,871	6,266,252	5,317,545
Scholarships	6,220,738	5,555,772	5,639,316	5,001,247	4,630,717	3,229,858
Auxiliary Enterprises	5,355,666	4,384,077	3,336,934	3,509,497	2,695,134	2,398,956
Depreciation	3,267,991	3,190,958	2,922,724	2,768,983	2,318,304	2,176,237
<b>Total operating expenses</b>	<b>93,309,427</b>	<b>84,790,794</b>	<b>74,113,371</b>	<b>67,110,608</b>	<b>58,461,346</b>	<b>50,084,272</b>
Interest on capital debt	1,740,332	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453
<b>Total non-operating expenses</b>	<b>1,740,332</b>	<b>1,627,464</b>	<b>1,690,726</b>	<b>1,883,691</b>	<b>1,766,286</b>	<b>1,763,453</b>
<b>Total expenses</b>	<b>\$95,049,759</b>	<b>\$86,418,258</b>	<b>\$75,804,097</b>	<b>\$68,994,299</b>	<b>\$60,227,632</b>	<b>\$51,847,725</b>

(percentages of total)

Instruction	35.5%	35.1%	36.2%	37.4%	37.8%	38.2%
Research	1.0%	1.3%	0.9%	1.4%	1.2%	1.5%
Public Service	1.6%	1.6%	1.6%	2.2%	2.1%	2.5%
Academic Support	5.8%	6.3%	6.9%	6.5%	6.7%	7.4%
Student Services	14.4%	14.5%	14.3%	13.5%	13.4%	12.5%
Institutional Support	9.0%	9.5%	9.7%	9.2%	9.4%	9.3%
Plant Operation	15.2%	14.7%	12.5%	10.6%	10.4%	10.3%
Scholarships	6.5%	6.4%	7.4%	7.2%	7.7%	6.2%
Auxiliary Enterprises	5.6%	5.1%	4.4%	5.1%	4.5%	4.6%
Depreciation	3.4%	3.7%	3.9%	4.0%	3.8%	4.2%
<b>Total operating expenses</b>	<b>98.2%</b>	<b>98.1%</b>	<b>97.8%</b>	<b>97.3%</b>	<b>97.1%</b>	<b>96.6%</b>
Interest on capital debt	1.8%	1.9%	2.2%	2.7%	2.9%	3.4%
<b>Total non-operating expenses</b>	<b>1.8%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>3.4%</b>
<b>Total expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are reported.

**Schedule 4**  
**Coastal Carolina University**  
**Schedule of Expenses by Use**  
**Fiscal Years 2002 - 2007**

For the year ended June 30

(dollars)

	2007	2006	2005	2004	2003	2002
Personnel costs and benefits	\$ 57,926,829	\$ 52,396,576	\$ 46,868,903	\$ 42,104,080	\$ 37,919,803	\$ 33,697,871
Services and supplies	22,859,221	20,422,732	16,433,595	15,184,331	11,750,783	9,472,102
Utilities	3,280,450	3,447,960	2,562,796	2,300,106	2,095,677	1,762,842
Scholarships	5,974,936	5,332,568	5,325,354	4,753,108	4,376,779	2,975,220
Depreciation	3,267,991	3,190,958	2,922,723	2,768,983	2,318,304	2,176,237
<b>Total operating expenses</b>	<b>93,309,427</b>	<b>84,790,794</b>	<b>74,113,371</b>	<b>67,110,608</b>	<b>58,461,346</b>	<b>50,084,272</b>
Interest on capital asset debt	1,740,332	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453
<b>Total non-operating expenses</b>	<b>1,740,332</b>	<b>1,627,464</b>	<b>1,690,726</b>	<b>1,883,691</b>	<b>1,766,286</b>	<b>1,763,453</b>
<b>Total expenses</b>	<b>\$ 95,049,759</b>	<b>\$ 86,418,258</b>	<b>\$ 75,804,097</b>	<b>\$ 68,994,299</b>	<b>\$ 60,227,632</b>	<b>\$ 51,847,725</b>

(percentages of total)

Personnel costs and benefits	60.9%	60.6%	61.8%	61.0%	63.0%	65.0%
Services and supplies	24.0%	23.6%	21.7%	22.0%	19.5%	18.3%
Utilities	3.5%	4.0%	3.4%	3.3%	3.5%	3.4%
Scholarships	6.3%	6.2%	7.0%	6.9%	7.3%	5.7%
Depreciation	3.4%	3.7%	3.9%	4.0%	3.8%	4.2%
<b>Total operating expenses</b>	<b>98.2%</b>	<b>98.1%</b>	<b>97.8%</b>	<b>97.3%</b>	<b>97.1%</b>	<b>96.6%</b>
Interest on capital asset debt	1.8%	1.9%	2.2%	2.7%	2.9%	3.4%
<b>Total non-operating expenses</b>	<b>1.8%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>3.4%</b>
<b>Total expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

**Schedule 5**  
**Coastal Carolina University**  
**Schedule of Other Changes in Net Assets**  
**Fiscal Years 2002 - 2007**

	For the year ended June 30					
	2007	2006	2005	2004	2003	2002
<b>Income before other changes in net assets</b>	\$ 9,100,107	\$ 4,434,631	\$ 2,884,935	\$ 741,673	\$ (590,185)	\$ 1,245,372
State capital grants and appropriations	168,307	1,246,339	-	178,719	3,821,281	158,039
Federal capital grants and appropriations	-	193,939	-	-	151,733	176,746
Local and other capital grants and appropriations	649,901	686,383	553,131	1,694,457	58,770	1,080,879
<b>Total change in net assets</b>	\$ 9,918,315	\$ 6,561,292	\$ 3,438,066	\$ 2,614,849	\$ 3,441,599	\$ 2,661,036

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are reported.

**Notes: State capital grants and appropriations**

- \* Amounts received in 2002 and 2003 were for construction of the football stadium.
- \* The 2006 and 2007 amounts include \$1.35 million in state research infrastructure bond proceeds for complete renovation of the Kearns Hall classroom building.

**Notes: Local and other capital grants and appropriations**

- \* In 2002, almost \$900,000 of local gift funding was received from the Coastal Educational Foundation to furnish the new Humanities building and the new University Hall and Welcome Center.
- \* From 2004 to 2006 a total of over \$1,125,000 was received from the Horry County Higher Education Commission for upgrades to the building Housing the Burroughs and Chapin Center for Marine and Wetlands Studies.
- \* In 2006, a grant was received from the Santee Cooper utility for \$216,400 for upgrades to the newly leased Coastal Science Center.
- \* From 2004 to 2006 a cumulative amount of over \$525,000 was received in pledge payments for naming rights at the football stadium.
- \* In 2007, over \$400,000 represents the donation of a belltower constructed on campus, and the gift of related land, by the Coastal Educational Foundation.

## REVENUE CAPACITY

*These schedules and charts contain information to help the reader assess the factors affecting the University's ability to generate its operating revenue.*

**Schedule 6**  
**Coastal Carolina University**  
**Schedule of Applications, Enrollment, and Degrees Awarded**  
**Last Ten Academic Years**

	Academic Year Beginning										Ten Year Change
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	
<b>ADMISSIONS - FRESHMEN</b>											
Applications	6,218	5,427	5,041	4,527	3,603	3,094	2,533	2,420	2,473	2,354	164%
Applications accepted	4,238	4,016	3,661	3,208	2,580	2,296	1,813	1,753	1,944	1,850	129%
Accepted as a percentage of applications	68%	74%	73%	71%	72%	74%	72%	72%	79%	79%	
Students enrolled	1,474	1,498	1,323	1,272	1,078	941	792	766	877	841	75%
Students enrolled as a percentage of accepted	35%	37%	36%	40%	42%	41%	44%	44%	45%	45%	
SAT scores - total	1047	1046	1041	1045	1044	1042	1026	1032	1004	1008	4%
<b>ENROLLMENT</b>											
<b>Headcount enrollment</b>											
Undergraduate	6,660	6,397	6,020	5,610	5,058	4,771	4,405	4,370	4,428	4,283	55%
Graduate	1,389	1,216	1,001	1,170	922	194	248	245	128	125	1011%
<b>Full time equivalent enrollment</b>											
Undergraduate	6,398	6,140	5,807	5,392	4,796	4,428	4,026	3,919	3,894	3,845	66%
Graduate	546	436	334	403	299	59	75	72	49	29	1783%
<b>Residency for Fee Payment Purposes*</b>											
Undergraduate, State Residents	4,623	4,519	4,319	4,128	3,804	3,541	3,347	3,378	3,366	3,331	39%
Undergraduate, Out of State Residents	2,037	1,878	1,701	1,482	1,254	1,230	1,058	992	1,062	952	114%
Headcount Total by Fee Payment Purposes	6,660	6,397	6,020	5,610	5,058	4,771	4,405	4,370	4,428	4,283	55%
Percent of Undergraduates paying as Residents	69%	71%	72%	74%	75%	74%	76%	77%	76%	78%	
Percent of Undergraduates paying as Non-residents	31%	29%	28%	26%	25%	26%	24%	23%	24%	22%	
<b>Required Tuition and Fees**</b>											
Undergraduate, In State, Full Time	\$ 7,500	\$ 6,860	\$ 6,100	\$ 5,190	\$ 4,350	\$ 3,770	\$ 3,500	\$ 3,340	\$ 3,220	\$ 3,100	142%
Undergraduate, Out of State, Full Time	\$ 16,190	\$ 15,100	\$ 14,200	\$ 12,870	\$ 11,760	\$ 10,680	\$ 9,810	\$ 9,280	\$ 8,790	\$ 8,320	95%
Non-resident: Resident Fee Ratio	2.16	2.20	2.33	2.48	2.70	2.83	2.80	2.78	2.73	2.68	
<b>DEGREES AWARDED</b>											
Bachelor's	n/a	931	887	768	801	690	657	619	636	527	
Master's	n/a	46	49	30	29	31	27	20	21	23	

\* Scholarship recipients who are non-residents may receive a partial or full waiver of the out-of-state fee differential

\*\* Does not include room and board

**Schedule 7**  
**Coastal Carolina University**  
**Undergraduate Annual Required Tuition and Fees at South Carolina Public 4-Yr. Institutions**  
**Last Ten Academic Years**

	Academic Year Beginning in Fall										Ten Year Change
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	
The Citadel	\$ 7,735	\$ 7,168	\$ 6,522	\$ 5,900	\$ 4,999	\$ 4,067	\$ 3,727	\$ 3,404	\$ 3,396	\$ 3,631	113.0%
Clemson University	9,870	9,400	8,816	7,816	6,934	5,834	5,090	3,590	3,470	3,344	195.2%
<b>Coastal Carolina University</b>	<b>7,600</b>	<b>7,500</b>	<b>6,860</b>	<b>6,100</b>	<b>5,190</b>	<b>4,350</b>	<b>3,770</b>	<b>3,500</b>	<b>3,340</b>	<b>3,220</b>	<b>136.0%</b>
College of Charleston	7,778	7,234	6,668	6,202	5,770	4,858	3,780	3,630	3,520	3,390	129.4%
Francis Marion University	7,038	6,512	5,984	5,540	5,082	4,340	3,790	3,600	3,350	3,350	110.1%
Lander University	7,728	7,162	6,588	5,866	5,400	4,704	4,152	3,888	3,700	3,700	108.9%
South Carolina State University	7,318	7,278	6,480	6,170	5,570	4,556	4,096	3,724	3,410	3,184	129.8%
University of South Carolina											
Columbia	8,346	7,808	7,314	6,416	5,778	4,984	4,064	3,868	3,740	3,530	136.4%
Aiken	7,006	6,670	6,156	5,622	5,065	4,404	3,738	3,558	3,318	3,018	132.1%
Beaufort	6,250	5,724	5,214	4,670	4,208	3,080	2,410	2,210	2,100	1,940	222.2%
Upstate	7,760	7,218	6,724	6,060	5,460	4,748	3,868	3,624	4,126	4,032	92.5%
Winthrop University	\$ 10,210	\$ 9,500	\$ 8,756	\$ 7,816	\$ 6,652	\$ 5,600	\$ 4,668	\$ 4,262	\$ 4,126	\$ 4,032	153.2%
<b>Average</b>	<b>\$ 8,604</b>	<b>\$ 8,107</b>	<b>\$7,462</b>	<b>\$ 6,743</b>	<b>\$ 6,010</b>	<b>\$ 5,048</b>	<b>\$ 4,287</b>	<b>\$ 3,896</b>	<b>\$ 3,781</b>	<b>\$ 3,670</b>	<b>134.4%</b>

*In June 2002, USC Beaufort was granted four-year status by the South Carolina Commission on Higher Education, and in 2004 was accredited as a Level II baccalaureate degree granting university.*

*Source: S.C. Commission on Higher Education*



## **DEBT CAPACITY**

*These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue debt in the future.*

**Schedule 8**  
**Coastal Carolina University**  
**Schedule of Ratios of Outstanding Debt**  
**Last Ten Fiscal Years**

	For the year ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>General Bonded Debt</b>										
General obligation bonds	\$ 18,935,000	\$ 7,935,000	\$ 8,220,000	\$ 8,490,000	\$ 8,750,000	\$ -	\$ 325,000	\$ 640,000	\$ 940,000	\$ 1,230,000
Total general bonded debt	\$ 18,935,000	\$ 7,935,000	\$ 8,220,000	\$ 8,490,000	\$ 8,750,000	\$ -	\$ 325,000	\$ 640,000	\$ 940,000	\$ 1,230,000
Outstanding general bonded debt per full-time equivalent student	\$ 2,727	\$ 1,220	\$ 1,339	\$ 1,465	\$ 1,717	\$ -	\$ 79	\$ 160	\$ 238	\$ 318
<b>Other Debt</b>										
Revenue bonds	\$ 24,345,000	\$ 24,600,000	\$ 25,425,000	\$ 26,215,000	\$ 26,855,000	\$ 27,565,000	\$ 28,240,000	\$ 28,875,000	\$ 29,195,000	\$ 13,040,000
Capital lease obligations	\$ 368,758	\$ 467,052	\$ 562,379	\$ 834,930	\$ 216,978	\$ 251,074	\$ -	\$ -	\$ -	\$ -
Total outstanding debt	\$ 43,648,758	\$ 33,002,052	\$ 34,207,379	\$ 35,539,930	\$ 35,821,978	\$ 27,816,074	\$ 28,565,000	\$ 29,515,000	\$ 30,135,000	\$ 14,270,000
Total outstanding debt per full-time equivalent student	\$ 6,286	\$ 5,073	\$ 5,570	\$ 6,133	\$ 7,031	\$ 6,199	\$ 6,965	\$ 7,395	\$ 7,643	\$ 3,684
Number of full time equivalent undergraduate and graduate students	6,944	6,505	6,141	5,795	5,095	4,487	4,101	3,991	3,943	3,874

**Schedule 9**  
**Coastal Carolina University**  
**Schedule of Debt Service Coverage on Revenue Bonds**  
**Fiscal Years 2002 – 2007**

REVENUE BONDS	For the year ended June 30					
	2007	2006	2005	2004	2003	2002
Revenues	\$ 70,209,074	\$ 59,884,941	\$ 50,441,023	\$ 44,878,156	\$ 35,566,512	\$ 30,940,831
Expenses	58,774,006	53,701,011	46,408,826	40,255,735	33,338,327	26,544,137
Net Revenues Available for Debt Service	<u>\$ 11,435,068</u>	<u>\$ 6,183,930</u>	<u>\$ 4,032,197</u>	<u>\$ 4,622,421</u>	<u>\$ 2,228,185</u>	<u>\$ 4,396,694</u>
Debt Service, Revenue Bonds	\$ 1,296,398	\$ 2,096,891	\$ 2,113,270	\$ 2,084,574	\$ 2,194,949	\$ 2,195,460
Coverage	8.82	2.95	1.91	2.22	1.02	2.00

Above revenues, expenses, and net revenues available for debt service have been determined in accordance with the requirements of the applicable bonds.

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

**Schedule 10**  
**Coastal Carolina University**  
**Schedule of Debt Service Coverage on General Obligation Bonds**  
**Last Ten Fiscal Years**

<b>GENERAL OBLIGATION BONDS</b>	<b>For the year ended June 30</b>									
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Tuition Pledged for Debt Service	\$2,020,067	\$1,687,780	\$1,344,290	\$968,436	\$864,426	\$841,252	\$603,631	\$577,234	\$585,013	\$574,413
Debt Service, General Obligation Bonds	\$ 961,328	\$ 614,439	\$ 605,532	\$378,335	\$175,647	\$335,969	\$340,020	\$338,160	\$340,302	\$336,732
Coverage	2.10	2.75	2.22	2.56	4.92	2.50	1.78	1.71	1.72	1.71

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

*These charts 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 and with other universities.*

**Schedule 11**  
**Coastal Carolina University**  
**South Carolina Employment by Industry**  
**Calendar Year 2005 and Nine Years Earlier**

<u>Sources</u>	<u>1996</u>		<u>2005</u>	
	<u>Number of Employees</u>	<u>Percent of Total</u>	<u>Number of Employees</u>	<u>Percent of Total</u>
Contract construction.....	94,300	5.6%	117,100	6.3%
Manufacturing:				
Durable goods.....	144,500	8.6%	135,300	7.3%
Nondurable goods.....	221,500	13.2%	126,600	6.8%
Transportation, communication, and public utilities.....	73,700	4.4%	89,100	4.8%
Wholesale and retail trade:				
Wholesale.....	67,400	4.0%	67,100	3.6%
Retail.....	330,100	19.7%	229,300	12.3%
Finance, insurance and real estate.....	72,800	4.3%	97,900	5.3%
Services and mining.....	376,600	22.6%	669,700	36.0%
Government:				
Federal.....	28,400	1.7%	28,500	1.5%
State and local.....	266,200	15.9%	299,800	16.1%
<b>Total wage and salary employment.....</b>	<b><u>1,675,500</u></b>	<b><u>100.0%</u></b>	<b><u>1,860,400</u></b>	<b><u>100.0%</u></b>

Source: South Carolina Employment Security Commission

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

**Schedule 12**  
**Coastal Carolina University**  
**Top 20 Employers**  
**Horry and Georgetown Counties, South Carolina**

**HORRY COUNTY**

Horry County Department of Education  
Wal-Mart Associates, Inc.  
Horry County Government  
AVX Corporation  
Coastal Carolina University  
Conway Medical Center  
Grand Strand Regional Medical Center  
City of Myrtle Beach  
Southeast Restaurants Corporation  
Loris Community Hospital & Extended Care  
Food Lion, LLC  
Horry Telephone Cooperative, Inc.  
Myrtle Beach Farms  
Lowe's Home Centers Inc.  
Zachry Construction Corporation  
Horry-Georgetown Technical College  
Bluegreen Vacations Unlimited, Inc.  
The Olive Garden  
Fairfield Communities, Inc.  
Myrtle Beach National Company

**GEORGETOWN COUNTY**

Georgetown County Department of Education  
Georgetown Hospital System  
International Paper  
County of Georgetown  
B E & K Construction Company  
Myrtle Beach National Golf Club  
Wal-Mart Associates, Inc.  
ISG Georgetown, Inc.  
Festiva Resorts Services, Inc.  
3V, Inc.  
Santee Cooper - South Carolina Public Service Authority  
City of Georgetown  
Mancill, Inc.  
Prince George Village  
Food Lion, LLC  
In Home Healthcare Services, Inc.  
G 2 Corporation  
Moore Labor Service, LLC  
Georgetown Greenhouses, Inc.  
A Z Janitorial Services, Inc.

*Source: South Carolina Employment Security Commission, January - March, 2006*

**Schedule 13**  
**Coastal Carolina University**  
**State and Regional**  
**Population, Income, and Unemployment History**  
**Last Ten Calendar Years**

<u>Year</u>	<u>Population**</u>			<u>Per Capita Income*</u>			<u>Unemployment Rate (%)**</u>		
	<u>South Carolina</u>	<u>Horry County</u>	<u>Georgetown County</u>	<u>South Carolina</u>	<u>Horry County</u>	<u>Georgetown County</u>	<u>South Carolina</u>	<u>Horry County</u>	<u>Georgetown County</u>
2006	4,321,249	238,493	60,860	\$ 29,515	n/a	n/a	6.5	5.4	7.5
2005	4,246,933	227,520	60,215	28,285	26,789	30,399	6.7	5.7	8.6
2004	4,194,694	217,411	59,676	27,090	26,006	28,388	6.8	5.9	9.5
2003	4,142,356	210,676	58,695	25,880	25,017	26,785	6.7	5.6	9.7
2002	4,101,122	205,932	57,991	25,370	24,333	26,193	5.9	5.1	8.2
2001	4,060,728	201,607	56,892	24,988	24,160	25,790	5.2	4.9	7.4
2000	4,012,012	196,629	55,797	24,424	23,934	24,256	3.6	3.5	5.3
1999	3,974,682	191,833	55,053	23,075	23,019	22,519	4.1	3.6	8.0
1998	3,919,235	186,009	53,920	22,161	21,988	21,488	3.6	3.6	7.5
1997	3,859,696	179,069	52,594	\$ 20,987	\$ 21,237	\$ 20,325	4.4	4.5	9.4

Source:

\* Bureau of Economic Analysis

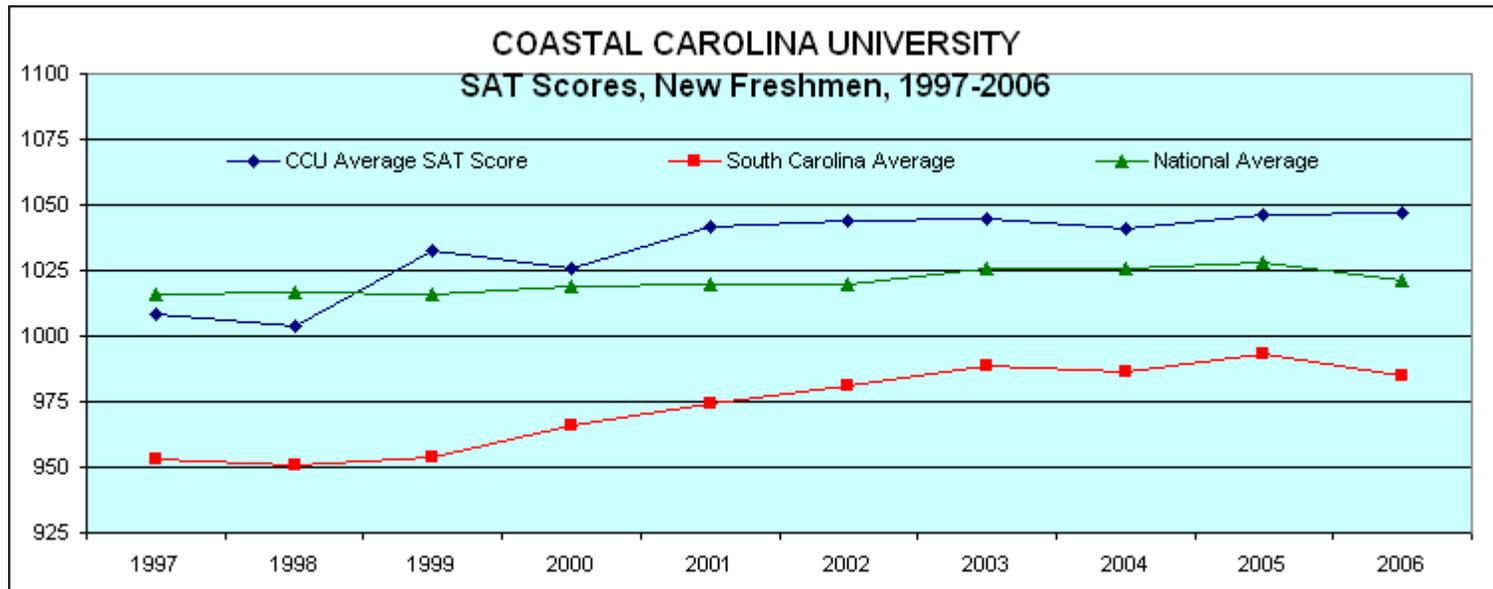
\*\*2007 Real Estate Center at Texas A&M University, U.S. Bureau of Census

## **OPERATING INFORMATION**

*These schedules contain information about the University's operations and resources to help the reader understand how the University's information relates to the services the University provides and the activities it performs.*

**Schedule 14**  
**Coastal Carolina University**  
**Schedule of SAT Scores, New Freshmen**  
**Last Ten Academic Years**

	<u>Fall Semesters</u>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>CCU Average SAT Score</b>	1008	1004	1032	1026	1042	1044	1045	1041	1046	1047
<b>South Carolina Average</b>	953	951	954	966	974	981	989	986	993	985
<b>National Average</b>	1016	1017	1016	1019	1020	1020	1026	1026	1028	1021



**Schedule 15**  
**Coastal Carolina University**  
**Schedule of Average Faculty Salaries by Rank**  
**Last Ten Academic Years**

	Academic Year Beginning in Fall									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Coastal Carolina University</b>										
Professor	\$73,231	\$71,845	\$68,471	\$62,559	\$63,186	\$61,614	\$59,810	\$58,286	\$56,774	\$54,600
Associate Professor	\$62,123	\$59,385	\$56,615	\$53,936	\$51,831	\$51,468	\$49,705	\$47,596	\$45,536	\$43,327
Assistant Professor	\$53,996	\$51,395	\$48,248	\$44,887	\$43,592	\$42,781	\$42,742	\$41,241	\$38,381	\$38,572
Instructor/Other	\$37,009	\$34,470	\$32,564	\$30,698	\$29,805	\$31,827	\$32,256	\$30,209	\$29,109	\$29,226
Average, all ranks	\$58,227	\$55,822	\$52,411	\$49,095	\$48,208	\$48,387	\$47,278	\$45,278	\$43,417	\$42,068
Average, percent of										
SC public universities	101.33%	99.11%	97.15%	96.62%	98.77%	99.10%	99.37%	98.68%	97.76%	97.31%
Average, percent of SREB*	N/A	N/A	102.13%	99.67%	96.56%	97.41%	98.21%	98.11%	97.47%	99.32%
Average, percent of national**	90.15%	81.55%	79.56%	78.18%	79.19%	81.28%	79.97%	78.89%	78.89%	81.71%
<b>South Carolina Public Universities</b>										
Professor	\$71,895	\$69,949	\$66,270	\$61,351	\$62,615	\$61,760	\$60,094	\$57,363	\$55,369	\$53,103
Associate Professor	\$60,936	\$59,267	\$56,901	\$53,415	\$51,443	\$50,243	\$48,911	\$46,787	\$45,088	\$43,345
Assistant Professor	\$51,282	\$49,373	\$46,761	\$44,468	\$43,728	\$42,936	\$42,682	\$40,463	\$38,666	\$38,452
Instructor/Other	\$41,942	\$40,443	\$40,350	\$37,059	\$35,448	\$35,470	\$33,945	\$32,444	\$31,327	\$30,076
Average, all ranks	\$57,462	\$56,326	\$53,949	\$50,814	\$48,809	\$48,827	\$47,578	\$45,884	\$44,411	\$43,231
Southern (SREB*) Average	N/A	N/A	\$51,318	\$49,260	\$49,927	\$49,674	\$48,142	\$46,148	\$44,542	\$42,358
National** (CUPA) Average	\$64,591	\$68,454	\$65,875	\$62,800	\$60,880	\$59,532	\$59,123	\$57,394	\$55,038	\$51,485

Source: United States Department of Education Integrated Post Secondary Educational Data Survey (IPEDS), converted to nine month basis.

\*Southern Regional Education Board

\*\*College and University Professional Association

**Schedule 16**  
**Coastal Carolina University**  
**Summary of Faculty, Staff and Administrative Statistics**  
**2007 and Past Nine Academic Years**

	For the year ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Full-time faculty	265	255	244	238	209	189	190	181	185	187
Part-time faculty	132	120	133	133	103	122	133	103	95	79
<b>Total faculty</b>	<b>397</b>	<b>375</b>	<b>377</b>	<b>371</b>	<b>312</b>	<b>311</b>	<b>323</b>	<b>284</b>	<b>280</b>	<b>266</b>
Full-time staff/administrators	524	455	443	408	393	368	353	336	328	309
Part-time staff/administrators	136	155	102	58	116	91	92	63	50	36
<b>Total staff/administrators</b>	<b>660</b>	<b>610</b>	<b>545</b>	<b>466</b>	<b>509</b>	<b>459</b>	<b>445</b>	<b>399</b>	<b>378</b>	<b>345</b>
Total full-time employees	789	710	687	646	602	557	543	517	513	496
<b>Total employees</b>	<b>1057</b>	<b>985</b>	<b>922</b>	<b>837</b>	<b>821</b>	<b>770</b>	<b>768</b>	<b>683</b>	<b>658</b>	<b>611</b>
Part-time faculty FTE (full time equivalent)	121.5	106.1	100.4	93.3	64.0	53.0	48.7	46.5	38.3	50.4
Total teaching faculty FTE	361.45	339.1	320.4	301.3	264.0	232.0	228.7	222.5	213.3	225.4
<b>Ratios:</b>										
Full-time faculty: Full-time staff/administrators	0.51	0.56	0.55	0.58	0.53	0.51	0.54	0.54	0.56	0.61
Total faculty: Total staff and administrators	0.60	0.61	0.69	0.80	0.61	0.68	0.73	0.71	0.74	0.77
Part-time faculty: Total faculty	0.33	0.32	0.35	0.36	0.33	0.39	0.41	0.36	0.34	0.30

**Schedule 17**  
**Coastal Carolina University**  
**Schedule of Capital Asset Information**  
**2006-2007**

**Buildings – Assignable Area Square Feet**

Instruction	284,251
Research	416
Public Service	1,200
Academic Support	59,043
Student Services	100,541
Institutional Support	57,874
Plant Operation and Maintenance	20,706
Auxiliaries	286,574
Other	13,297

**Library**

Number of volumes	156,342
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**Dormitories - Number of beds**

Main Campus	1,222
University Place	987

**Athletic and Intramural Facilities**

Stadiums and arenas	3
Extramural and intramural fields	3
Track facility	1
Golf course	1
Pool	1
Gymnasiums	2
Fitness centers	2
Tennis courts	8
Racquetball courts	2



# COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## SINGLE AUDIT SECTION



*Watson Stadium, Vrooman Field*



**COASTAL CAROLINA UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2007

<u>FEDERAL GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT OR CONTRACT NUMBER</u>	<u>June 30, 2007</u>
<b>Pass-Through Entity</b>			
<b>Program Title</b>			
<b>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, DEPARTMENT OF COMMERCE</b>			
<b>Pass-Through Department of Natural Resources</b>			
Developing Approaches and Associated Metrics for Determining Intertidal Oyster Restoration Success Subcontract with SC DNR-MRRI			
	11.417	NA16RG2250, AM#7	\$ 580
			<u>580</u>
<b>Pass-Through South Carolinas Sea Grant Consortium</b>			
Expanding the Rising Tide Project: Changing How Researchers, Educators and Students Work Together			
	11.417	NA16RG2250	4,459
Changes in the Geologic Framework of Grand Strand: Regional Stratigraphy, Onshore-Offshore Correlation, Data Integration and Final Synthesis			
	11.417	Q66H	22,142
Geologic Framework of the Active Shoreface: Grand Strand Region of South Carolina BERM 2006			
	11.417	Q76L	16,146
Geologic Framework of the Active Shoreface: Grand Strand Region of South Carolina			
	11.417	Q76B	32,931
The Onshore Geologic Framework of South Carolina's Grand Strand: Adding to the Regional Stratigraphy and Geomorphology			
	11.417	Q76H	29,563
South Carolina - Georgia Coastal Erosion Study: GIS Data Compilation, Data Management, and Shoreline Change Study			
	11.417	Q76F	37,791
			<u>143,032</u>
<b>Pass-Through University of South Carolina</b>			
Murrells Inlet SAMP Stormwater BMP Assessment Subcontract with USC			
	11.417	NA04NOS4261154	4,676
			<u>4,676</u>
<b>Pass-Through South Carolina Sea Grant Consortium</b>			
Mapping Submarine Groundwater Seeps on the South Carolina Continental Shelf			
	11.417	NA060AR4170015	26,697
OCRM BERM June 2006			
	11.417	E432 PO#635496	47,850
South Carolina Coastal Erosion Program: GIS and Data Management Year 7			
	11.417	V56D	14,219
South Carolina Beach Erosion Research and Monitoring: V56A			
	11.417	V56A	16,959
Identification of Coastal Hypoxia Mechanisms and Hypoxia Monitoring in Inner Shelf Water of Long Bay, South Carolina			
	11.419	NA04NOS4190057	68,886
Electrical Characterization of Submarine Groundwater Seeps on the South Carolina Continental Shelf			
	11.419	R270	1,463
Identification of Coastal Hypoxia Mechanisms and Hypoxia Monitoring in Inner Shelf Water of Long Bay, South Carolina			
	11.419	R268	5,942
Dissolved Oxygen Assessment Along the Grand Strand Using Pier-Based In-Situ Sensors			
	11.419	NA06NOS4190193	18,086
Influence of Meteorological and Substrate Factors Upon Embryonic Outcomes			
	11.420	NA07NOS4200040	10,380
			<u>210,482</u>

**COASTAL CAROLINA UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2007

**Pass-Through South Carolina Department of  
Natural Resources**

Assessment of Surf Zone and Near-Shore Nekton Community in Horry County	11.420	NA06NOS4190193	<u>806</u> <u>806</u>
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**Pass-Through South Carolina Department of  
Health and Environmental Control**

Water Quality Monitoring of Murrells Inlet SAMP Projects	11.426	NA160A2952	<u>670</u> <u>670</u>
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**Total National Oceanic and Atmospheric  
Administration, Department of Commerce**

360,246

**OFFICE OF THE CHIEF OF ENGINEERS DEPARTMENT  
OF THE ARMY, DEPARTMENT OF DEFENSE**

Long-Term Management Strategies for Sediment Control	12.101	W912HP-05-20001	<u>20,000</u> <u>20,000</u>
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**BUREAU OF INDIAN AFFAIRS, DEPARTMENT  
OF INTERIOR**

Coastal Watershed Habitat Assessment	15.630	40186J048	<u>7,446</u> <u>7,446</u>
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**NATIONAL FISH AND WILDLIFE SERVICES,  
DEPARTMENT OF THE INTERIOR**

National Fish and Wildlife Foundation Challenge Grant	15.631	2003-0063-000	<u>1,561</u> <u>1,561</u>
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**OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE  
ASSISTANCE DEPARTMENT OF JUSTICE**

**Pass-Through South Carolina Department of  
Public Safety**

CCU Public Safety Department Radio System Upgrade	16.738	ID05007	<u>(930)</u> <u>(930)</u>
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**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

**Pass-Through College of Charleston**

Gravity Waves and Their Impact on the Stratosphere	43.001	sub-award 520672	19,182
Analysis of Organic Emissions from Aircraft	43.001	N/A	965
Towards and Understanding of Black Hole Accretion	43.001	N/A	8,000
South Carolina Space Grant Consortium Year 14	43.001	NNG05GI68G	<u>2,010</u>

**Total National Aeronautics and Space Administration**

30,157

**NATIONAL ENDOWMENT FOR THE HUMANITIES**

Preservation Assistance Grant	45.149	PA-50931-05	9
Digital Humanities Start-Up Grant: Ashes 2 Art Program	45.169	HD-50111-07	<u>6,724</u>

**Total National Endowment for the Humanities**

6,733

**COASTAL CAROLINA UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2007

**NATIONAL SCIENCE FOUNDATION**

<hr/>			
Collaborative Research: Acquisition of a Dual, Complementary Ground Penetrating Radar System for Geoscience Research and Teaching in South Carolina	47.050	EAR-0323338	1,579
			<hr/> 1,579 <hr/>

**Pass-Through the College of William and Mary**

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REU Site: Integrated Geological and Geophysical Research Focused on Understanding the Landscape History of the Fish Lake Plateau, Central Utah	47.050	CCU1261	3,108
Acquisition of a Small Computing Cluster for Atmospheric Physics Studies	47.050	ATM-0521002	(2,320)
RUI: Gravity Waves and the Stratopsheric Polar Studies	47.050	ATM-0646672	17,664
			<hr/> 18,452 <hr/>

**Pass-Through SCEPSCoR/IDEA Office**

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Immobilized Iron Porphyrins in Catalytic Peroxynitrite Decomposition	47.050	2 P20 PR16461	(1,790)
Coastal Quest: Developing a Learnscape Approach for Edutourism	47.050	ESI-0532150	31,361
Mobile Link Organisms as Processors and Transporters of Materials within a Marsh-Estuarine Ecosystem	47.074	DEB-0427853	200,489
			<hr/> 230,060 <hr/>

**Pass-Through United States Civilian Research and  
Development Foundation**

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Identify Reactive Intermediates in the Mechanism of Catalytic Oxo-Tranfer Reactions Performed by Metalloporphyrins	47.075	Prop #14939	291
Collaborative Project: Development of POGIL-IC Modules for General Chemistry	47.076	DUE-0633191	32,995
			<hr/> 33,286 <hr/>

**Pass-Through South Carolina Experimental Program  
to Stimulate Competitive Research and Institutional  
Developemnt Awards**

<hr/>			
The First Big South Undergraduate Research Symposium	47.076		4,895
RAIN Conference II	47.076	EPS-00447660	4,371
Development of POGIL-IC Modules for General Chemistry	47.079	OISE-0622810	120
			<hr/> 9,386 <hr/>

**Total National Science Foundation**

			<hr/> 292,763 <hr/>
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**OFFICE OF WATER, ENVIRONMENTAL PROTECTION  
AGENCY**

<hr/>			
Community-Based Watershed Management Planning for the Waccamaw Basin Starting with the Kingston Lake Watershed National Fish and Wildlife Service	66.461	CD-96416205-0	106,216
			<hr/> 106,216 <hr/>

**OFFICE OF ENERGY EFFICIENCY AND RENEWABLE  
ENERGY, US DEPARTMENT OF ENERGY**

<hr/>			
EPSOR: Thermodynamic and X-Ray Studies of Electrically-Ordered Absorbed Phases	81.119	DEFG0201ER45895	2,759
			<hr/> 2,759 <hr/>

**COASTAL CAROLINA UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2007

<b>FEDERAL STUDENT AID, US DEPARTMENT OF EDUCATION</b>			
<u>FSEOG 07</u>	84.007		390,499
CWS 06-07	84.033		198,204
Pell 06/07	84.063		4,213,032
Academic Competitiveness	84.375	P375A062202	187,563
SMART Grant	84.376	P3765062202	82,000
Federal Family Education Loans	84.032		29,153,292
Perkins	84.038		<u>1,817,807</u>
<b>Total Federal Student Aid, US Department of Education</b>			<u>36,042,397</u>
<b>US DEPARTMENT OF EDUCATION, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION</b>			
<b>Pass-Through the South Carolina Department of Education</b>			
Proposal for Advanced Study in Physical Science (Chemistry and Physics) Summer 06	84.366	06MS310-03	<u>15,755</u> <u>15,755</u>
<b>US DEPARTMENT OF EDUCATION</b>			
<b>Pass-Through National Writing Project</b>			
Technology Matters Minigarnt 2005-2006	84.928	A#13 94-SC03	1,980
Coastal Area Writing Project 2004-2005	84.928	94-SC03#11	<u>55,624</u>
<b>Total US Department of Education</b>			<u>57,604</u>
<b>ADMINISTRATION ON AGING, DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Expansion of Aging and Disabilities Resource Centers in South Carolina	93.044	ADXC07	<u>866</u> <u>866</u>
<b>ADMINISTRATION FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Pass-Through National Youth Sports Corporation</b>			
National Youth Sports Summer Program at Coastal Carolina University	93.570	N/A	<u>(1,794)</u> <u>(1,794)</u>
<b>NATIONAL INSTITUTE OF HEALTH, DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Investigation of CD8* T Cell-Mediated Inflammation in the CNS	93.856	IR15AI0607-01	<u>36,911</u> <u>36,911</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 36,978,690</u>

**COASTAL CAROLINA UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Coastal Carolina University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u>\$ 29,153,292</u>
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Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133

Coastal Carolina University  
Conway, South Carolina

Compliance

We have audited the compliance of Coastal Carolina University (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Coastal Carolina University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coastal Carolina University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Coastal Carolina University's compliance with those requirements.

In our opinion the University complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures disclosed one instance of noncompliance with these requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item SD 07-01.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Coastal Carolina University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Coastal Carolina University's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Coastal Carolina University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the University's Board of Trustees, management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink that reads "Cline Brantley & Co. PA". The signature is written in a cursive style.

January 10, 2008

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Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

Coastal Carolina University  
Conway, South Carolina

We have audited the financial statements of Coastal Carolina University as of and for the year ended June 30, 2007, and have issued our report thereon dated January 10, 2008. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Coastal Educational Foundation and Coastal Carolina University Student Housing Foundation as described in our report on Coastal Carolina University's report. The Coastal Educational Foundation and Coastal Carolina University Student Housing Foundation's financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coastal Carolina University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coastal Carolina University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coastal Carolina University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Coastal Carolina University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Coastal Carolina University's financial statements that is more than inconsequential will not be prevented or detected by the Coastal Carolina University's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items SD 07-02 and MW 07-01 through MW 07-16 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Coastal Carolina University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items MW 07-01 through MW 07-16 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item MW 07-02, MW 07-03 and MW 07-05.

This report is intended solely for the information of the University's Board of Trustees and management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink that reads "Clin Brantley & Co. PA". The signature is written in a cursive style with a long horizontal flourish extending to the right.

January 10, 2008

**COASTAL CAROLINA UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2007

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and Questions Costs Relating to Federal Awards.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs  
June 30, 2007

**Summary of Auditors' Results:**

GAGAS

An unqualified opinion was issued on Coastal Carolina University's financial statements dated January 10, 2008. Significant deficiencies were disclosed by the audit, some of which were material weaknesses. No instances of material noncompliance were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Coastal Carolina University dated January 10, 2008. Our audit disclosed one finding that is required to be reported under OMB Circular A-133.

The major program at Coastal Carolina University is the Student Financial Aid Cluster from the U.S. Department of Education. Type A or major programs are defined as those that expended \$300,000 or 3% of total Federal Awards expended at the University. Coastal Carolina University's total federal awards expended for the year ended June 30, 2007 were between \$10 million and \$100 million.

Coastal Carolina University is considered to be a low risk auditee by the criteria listed in OMB Circular A-133.

**Findings Relating to the Financial Statements:**

**SD 07-02**

**Fringe Benefit Reconciliation and Reporting**

Condition: The University does not separate its fringe benefit costs when it posts payroll expense to the general ledger. This renders it difficult to reconcile taxes, pension costs and health care charges between the general ledger and the payroll system.

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

Cause: University policy has been to combine like-kind transactions into one object code.

Effect: By combining fringe costs (e.g. payroll taxes, retirement, and health costs) into one account the University is prevented from reconciling some of the largest expenditures they incur. Large, unreconciled account balances can mask erroneous and fraudulent transactions.

Recommendation: We recommend that the University consider separating fringe costs into their basic components, and reconciling each component to the supporting documentation at least once each year.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2007

**MW 07-01**                      **Documenting Procurement Card Usage**

- Condition: Procurement card testing indicated that users were not including business purpose when authorizing card purchases. Failure to pay sales or use tax, missing receipts and charges on the cards for travel that did not include the names of the individuals traveling were also noted.
- Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.
- Cause: Procurement card monitoring is handled within each user department rather than by trained accounting staff. The purpose and need for such controls as attaching original documents and documenting business purpose are not always part of the procedure.
- Effect: Using procurement cards reduces management's ability to monitor and control expenditures.
- Recommendation: We recommend periodically refreshing the user departments' understanding of the procurement card policies and procedures. Further more, increasing the monitoring of the transactions by a member of the accounting staff may be in order.

**MW 07-02**                      **By-Passing Procurement Code Requirements**

- Condition: The University appears to have used an existing consulting contract to procure services by subcontracting them when those services may have been bid.
- Criteria: State Procurement Regulations 19-445.2000 establish policies, procedures and guidelines relating to the procurement, management, control, and disposal of supplies, services, information technology, and construction, as applicable, under the authority of the South Carolina Consolidated Procurement Code, as amended.
- Cause: Management override of existing controls.
- Effect: The bid process was circumvented through the use of an existing contract.
- Recommendation: We recommend that the University comply with the State Procurement Regulations.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2007

**MW 07-03**                      **Evaluation of Related Party Leases**

- Condition:                      Leases between component units are not evaluated against the market for fair value lease rates. There was no documentation to support the rent amounts used between the University and its component units.
- Criteria:                        State Procurement Regulations 19-447.1000 provide for the establishment of exempt leases by University personnel. The recognized intent, as explained by State personnel, is that a transaction between a University and its Foundation not be a money making event. Establishing a fair market arrangement could be demonstrated through a fair market value comparison with comparable properties.
- Cause:                         Management oversight.
- Effect:                         No determination of comparable rates was made for property leased from the University's Foundation.
- Recommendation:          We recommend that the University demonstrate the equitable nature of leasing transactions between itself and its related parties by providing a fair market comparison to comparable properties.

**MW 07-04**                      **Reconciliation of Receipts**

- Condition:                      Cash receipts testing revealed deposit amounts that did not agree to the daily cash receipt total, credit card receipts that had not been reconciled to the bank statements and deposits that had not been made on a daily basis.
- Criteria:                        The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.
- Cause:                         The difficulty associated with reconciling the bank and University transactions.
- Effect:                         The University assumes additional risk by relying upon the controls of a third party's credit card system. The University's daily receipt reports are not related to bank deposit information directly.
- Recommendation:          The University should evaluate the associated risks and determine what controls would be cost effective to reduce the risk.

**MW 07-05**                      **Non-State Entity Reimbursements for Services**

- Condition:                      The University has not adhered to the Attorney General's opinion regarding Foundation and other auxiliary entity reimbursement for services rendered using state funds.
- Criteria:                        SC Attorney General's opinions dated August 10, 1973, May 21, 1993 and May 1, 2000.
- Cause:                         The University was unaware of the Attorney General's opinions regarding Foundation reimbursement for services.
- Effect:                         The University has used State money to support the operations of its not-for-profit Foundations.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2007

Recommendation: The University should make arrangements with all auxiliary entities including its Foundation to reimburse funds owed and operate on a reimbursement basis prospectively.

**MW 07-06**                    **Calculating Debt Service Coverage**

Condition:                    There have been three different calculations for debt service coverage: one before an attorney opinion regarding health fees; two afterwards; none were calculated by the University or Student Housing Foundation accounting staff. All three calculations had different ratios; the first ratio determined that the debt service coverage had not been met. The other two determined it had.

Criteria:                    The COSO framework component for risk assessment that helps management identify financial reporting objectives.

Cause:                      Assignment of this responsibility was made along departmental lines rather than to knowledgeable employees charged with compliance.

Effect:                      Risk that debt service coverage will not be sufficient to comply with the bond covenants.

Recommendation: We recommend that the University assign the calculation and monitoring of debt service coverage to an individual trained and knowledgeable of the requirements.

**MW 07-07**                    **Bond Documents Definitions**

Condition:                    The Student Housing Foundation bond document definitions appear to be inadequate to cover current expense types – specifically health fees.

Criteria:                    The Student Housing Foundation bond documents.

Cause:                      The bond document definition of expenses did not clearly specify all items to be considered.

Effect:                      Management was unable to determine which expenses to include in their compliance calculations.

Recommendation: We recommend that management obtain a legal opinion that explains which expenses to include in its calculations.

**MW 07-08**                    **Accounting for Bond Costs**

Condition:                    The University accounting staff appeared to be unaware of bond accounting issues. The staff could not properly calculate bond gain/loss on defeasance, make the journal entries properly and were unaware that prior year journal entries were incorrect.

Criteria:                    The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

Cause:                      Lack of training in the issues involved and the rarity of the use of this information.

Effect:                      The University adjusted \$392,000 in bond defeasance costs.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2007

Recommendation: We recommend that the University assign tasks such as this to personnel with the appropriate level of training and understanding.

**MW 07-09**                      **Related Party Transactions Disclosure**

Condition:                      The accounting system did not generate adequate information for related party disclosures.

Criteria:                        The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

Cause:                          Lack of understanding of adequate disclosure requirements.

Effect:                          Financial statement disclosures could be inadequate and not in accordance with Generally Accepted Accounting Principles.

Recommendation: We recommend management establish a system to track these transactions within its accounting system as to readily identify them contemporaneously.

**MW 07-10**                      **Component Unit Transactions**

Condition:                      Communication and monitoring of specific disclosure information related to component units is inadequate. Communication and monitoring related to authorizing transactions of component units by University personnel is not adequate for proper segregation of duties.

Criteria:                        The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

Cause:                          The control environment does not have adequate systems to provide proper authorization and to properly monitor and communicate disclosures.

Effect:                          Transaction may be improperly authorized and disclosures regarding transactions could be inadequate.

Recommendation: We recommend management establish controls over component unit transactions and disclosures requirements and expand the level of the control activities to gather the necessary information.

**MW 07-11**                      **Deferred Compensation Issues**

Condition:                      The Student Housing Foundation has created a non-qualified deferred compensation plan for a retired University employee and has not determined who has right to the assets.

Criteria:                        Internal Revenue Code Section 409(A) and Compensation Regulations.

Cause:                          A Foundation contract passes certain rights and risks to the beneficiary of the plan without the recognition of those rights and risks in income.

Effect:                          Management is unable to determine compliance with Internal Revenue Code or if the asset is a University asset.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2007

Recommendation: We recommend that management obtain a legal opinion regarding this transaction and take appropriate action.

**MW 07-12**                    **Segregating Ticket Sales Duties**

Condition:                    NCAA revenue collections procedures do not provide for adequate segregation of duties within the ticket sales office. Currently the manager of the program has access to the cash and record keeping functions.

Criteria:                    The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

Cause:                        Lack of segregation of duties.

Effect:                        Management would not be able to identify errors or fraudulent transactions within a reasonable time frame.

Recommendation: We recommend that management identify the control processes they need to protect University employees and assets.

**MW 07-13**                    **Hiring Practices**

Condition:                    The University's hiring practices may have violated their own nepotism policy and possibly state ethics laws.

Criteria:                    The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and ethics laws and interpretations.

Cause:                        As a result of an internal audit, questions regarding policy compliance arose.

Effect:                        Management appeared to lack the proper documentation to show compliance with University nepotism policies.

Recommendation: We recommend that University employees comply with the nepotism policy and applicable state laws and provide documentation of that compliance.

**MW 07-14**                    **Unauthorized Compensation Policy**

Condition:                    One University department utilized an unauthorized policy regarding overtime work hours.

Criteria:                    The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

Cause:                        As a result of an internal audit, department compensation and timekeeping practices were scrutinized.

Effect:                        The University's payroll expenses were inflated. People were paid wages in excess of time worked.

Recommendation: We recommend that management comply with the authorized policies.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2007

**MW 07-15**                      **Tracking Work Orders**

- Condition:                      The University's work order system does not provide an adequate trail for accounting and audit purposes.
- Criteria:                        The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.
- Cause:                          The work order system has not been designed to capture and track all of the needed information.
- Effect:                         Management has no assurance that costs associated with building maintenance and improvements are legitimate obligations of the University.
- Recommendation:          We recommend that management evaluate the University's needs for a more accountable work order system and make changes as appropriate.

**MW 07-16**                      **Monitoring Conflicts of Interest**

- Condition:                      The University has no system in place to monitor or communicate conflicts of interest or Ethics Commission filing issues regarding officers and board members.
- Criteria:                        State Ethics Commission Regulations and State Conflict of Interest Policies.
- Cause:                          Management is not actively monitoring a conflict of interest policy.
- Effect:                         Management cannot provide assurance that all transactions with related parties have been conducted with the best interest of the University or the State in mind.
- Recommendation:          We recommend that management actively monitor a conflict of interest policy and address the necessary questions regarding ethics laws.

**Coastal Carolina University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2007

**Findings and Questioned Costs Relating to Federal Awards:**

**U.S. DEPARTMENT OF EDUCATION FINDINGS**

CFDA	84.007	Federal Supplemental Education Opportunity Grants (FSEOG)
CFDA	84.032	Federal Family Education Loans (FFEL)
CFDA	84.033	Federal Work-Study Programs (FWS)
CFDA	84.038	Federal Perkins Loans (FPL) - Federal Capital Contributions
CFDA	84.063	Federal Pell Grant Program (PELL)
CFDA	84.268	Federal Direct Student Loans (DIRECT LOAN)
CFDA	84.375	Academic Competitiveness Grant (ACG)
CFDA	84.376	National Science and Mathematics Access to Retain Talent Grant (National SMART Grant)

**SD 07-01**

**Verification**

- Condition: We noted one instance in our sample of twenty-five where taxes paid on a verified student's ISIR was incorrect. The Questioned costs totaled \$300.
- Criteria: Taxes paid is included in data used to determine the applicant's EFC. [34CFR 668.56(5)]
- Cause: The person responsible for verification did not notice and correct this discrepancy.
- Effect: Over or under-awarding SFA funds due to improper verification.
- Recommendation: The College should evaluate their verification process and implement any identified procedural changes.



**COASTAL CAROLINA UNIVERSITY**  
*Vice President for Business Affairs*

March 5, 2008

Mr. Steve Blake  
Cline Brandt Kochenower & Co., P.A.  
1225 W. Floyd Baker Blvd.  
P.O. Box 848  
Gaffney, SC 29342

Dear Steve:

Listed below are Coastal Carolina University's responses to the Schedule of Findings and Questioned Costs by Cline Brandt Koechenower & Co., P.A. as a result of the audit of the University for the fiscal year ended June 30, 2007.

**SD 07-02 Fringe Benefit Reconciliation and Reporting**

**Response:** Upon recommendation by the auditor, the Department of Financial Services has broken out each fringe benefit into separate accounts including: health; dental; state retirement, police officer's retirement; optional retirement; Medicare; social security; unemployment and the state accident fund. These accounts were used beginning with the January 15, 2008 payroll. Reconciliations of the general ledger to the detailed payroll reports will be performed quarterly. The first two quarters of the fiscal year will be reconciled using federal and state filings and journal entries will be made to move benefits expense from the consolidated account into the individual benefit accounts.

**MW 07-01 Documenting Procurement Card Usage**

**Response:** University management verified the findings presented by the auditor. No item was found to be an inappropriate purchase or outside the procurement guidelines. In order to receive a procurement card, all employees are required to attend a training session specifically on the proper use, policies and procedures of the card. An employee within the Department of Financial Services is currently and has been dedicated to the administration of the procurement card and reviews posted card purchases daily for items including appropriate charges, correct general ledger account numbers, split transactions, compliance with state procurement guidelines, sales and use tax charges and travel charges with travel authorizations. Any questionable item is flagged and the purchaser is required to provide a copy of the receipt and any backup documentation for the purchase.

In May 2007, management removed the use of procurement cards from the facilities department with the exception of two cards for supply room operation and emergency purchases until such time as a system could be put into place to manage and track inventory. SchoolDude is the tracking system which was implemented in October 2007. Currently, four employees within facilities have cards including the director, supply manager and two backup employees.

Management agrees with the auditor's recommendation that refresher training for users is a good way to remind them of the need and method by which to document business purpose and to review guidelines. Coastal Carolina University will implement a yearly refresher training requirement beginning May 15, 2008 with a completion date no later than June 30, 2008 for all cardholders and liaisons. Procurement card usage will be suspended until the training is completed for those who do not complete the required training by June 30, 2008. Currently, the director of internal audit is working with financial services to complete a risk assessment which will include procurement card usage and procedures.

**MW 07-02 By-Passing Procurement Code Requirements**

**Response:** An internal investigation by the Board of Trustees Audit Committee discovered the instance of subcontracted consulting services during its extensive review in early 2007. It was recommended by the Audit Committee in June 2007 that contracts for outside consultants be reviewed individually and all future contracts signed by the University and related foundations or entities be approved by the Planning and Fiscal Affairs Committee [now the Finance Committee], regardless of the amount. This recommendation was passed by the full Board of Trustees on October 12, 2007.

Currently, further clarification on the definition of outside consultants is required and will be obtained by management from the finance committee. Included in this clarification will be the requirements for honoraria recipients, speakers, performers, and professional services. After management has a clear understanding of the requirements, a memo will be sent to inform all budget officers of the procedures for approvals on consultants as they are defined.

In addition to compliance with the Board of Trustees' direction, members of the Board of Trustees' Audit Committee, Finance Committee, the University President, Executive Vice President, Vice President for Business Affairs, Assistant Vice President for Business Affairs, Controller and Director of Procurement among others attended a full day training session in January 2008, conducted by the staff from the Budget and Control Board and the Materials Management Office to ensure there is a clear understanding of what the University needs to do to comply with all guidelines and processes related to state procurement.

#### **MW 07-03 Evaluation of Related Party Leases**

**Response:** An internal investigation by the Board of Trustees Audit Committee discovered the instance of a lease between a related foundation and the University which was not at current market value. Two properties including the current alumni house and a second home which are owned by the Student Housing Foundation were leased by the University for \$24,000 each per year. Fair value on the alumni house was \$8,400 and the fair value on the second home was \$15,600 per year. In July 2007, the lease on the alumni house was reduced to \$16,200 per year and in September 2007, the lease on the second home was reduced to \$19,800 per year. In fiscal year 2009, on the lease renewal date, the properties' lease amounts will be reduced to their fair market value. The gradual approach to the lease reduction was adopted due to the approval of the Student Housing Foundation's budget in which the revenue was counted on to cover operating expenses.

Additionally, the University soccer field was being leased from the Coastal Educational Foundation for \$23,370 per year. The lease was reduced in fiscal year 2008 to \$11,685 and will then be reduced in fiscal year 2009 to \$1.

It was recommended by the Audit Committee in June 2007 that all current leases be reviewed individually and all future leases be approved by the Capital Projects Committee [now the Facilities Committee] regardless of the amount and the ownership of each lease be fully disclosed. This recommendation was implemented immediately and was passed by the full Board of Trustees on October 12, 2007.

#### **MW 07-04 Reconciliation of Receipts**

**Response:** University management verified the two instances of deposit amounts that did not agree to the daily cash receipt total. These two errors on the deposit paperwork were corrected immediately by the bank and required no adjustment to the financial statements. Management agrees that credit card receipts had not been reconciled to the bank statements in a detailed manner. There are timing instances with the close out of the credit card terminals, the 24/7 web credit card payments and the bank processing through the State of South Carolina. Management agrees that this detailed reconciliation is necessary and will investigate and determine a better way to eliminate the timing issues. Management also agrees that there are instances when deposits are not made on a daily basis. Current policy dictates that departments making deposits are required to make them no less than two times per week or if the total to be deposited at any time exceeds \$1,000. Beginning March 15, 2008 departments making deposits will be required to deposit funds with the bursar's office daily. Management will continue to evaluate the receipting and deposit procedures of the University and make any changes necessary to ensure proper accountability and asset protection. A detailed action plan will be forthcoming.

**MW 07-05 Non-State Entity Reimbursements for Services**

**Response:** University management agrees with the auditor's findings and the relevance of the Attorney General's opinions regarding treatment of services rendered using state funds and their required reimbursement. University management calculated the value of all services performed on behalf of non-state entities and made the necessary corrections as a receivable from all parties before the final statements were published for the period ending June 30, 2007. The reimbursement in question is due from the Student Housing Foundation and totaled \$811,320 from fiscal year 2005 through fiscal year 2007. The amount is being disputed by the Foundation. The University set aside a reserve for bad debt of \$398,395 for items which may be disputed by the Student Housing Foundation. Management will continue to evaluate the structure and services provided to non-state entities and ensure that all services are properly invoiced for reimbursement to the University.

**MW 07-06 Calculating Debt Service Coverage**

**Response:** This comment is related to the debt service coverage ratio requirement for the Coastal Housing Foundation, LLC, not University bonds. The University does not agree with the facts in this comment. In the fall of 2006, University accounting staff reported to the Housing Foundation Board a projected borderline debt service coverage ratio for fiscal year 2007, due to reduced fall occupancy at University Place. This led to subsequent discussions by Housing Foundation management with external consultants, questioning the University staff's treatment of health fees as an expense in the calculation of the debt service coverage ratio. Housing Foundation staff then obtained a legal opinion which stated that the health fee should be included as a component of revenue but not included in expense. In the audit period, both external auditors for the CCU Student Housing Foundation and the Coastal Housing Foundation, LLC excluded the health fees as both revenue and expense which is a more conservative method than the legal opinion suggested, and the coverage ratio was met. The calculation and monitoring of debt service coverage requirements is assigned to the Director of Finance, Foundations who is trained and knowledgeable of the requirements. Staff is limited only by the lack of specificity of the bond documents. As of July 1, 2007, health fees are no longer charged to students, which resolve this particular issue.

**MW 07-07 Bond Documents Definitions**

**Response:** This comment applies to bonds issued by the Coastal Housing Foundation, LLC, which is governed by an independent board. As noted in the University response to MW 07-06 above, a legal opinion was obtained by management for clarification of the treatment of health fee expense in relation to the debt service coverage ratio. In addition, as of July 1, 2007, health fees are no longer charged to students, which resolve this particular issue.

**MW 07-08    Accounting for Bond Costs**

**Response:** In the year in which the materially significant prior year error was made, fiscal year 1999, this calculation was performed by the external auditor and approved through review by the State Auditor's office and the office of the State Comptroller General. At the time, auditing standards allowed auditors to perform these calculations on behalf of clients. This practice is no longer allowed under new auditing standards. Upon discussion with the auditor, University staff did recalculate all prior bond issuance costs and defeasance adjustments to arrive at the adjustment figure. The full adjustment was made to correct both the balance sheet and income statement in fiscal year 2008 and will be amortized properly going forward. In future bond defeasance transactions, the University will proactively identify University staff, with the appropriate level of training and understanding, able to make this calculation in line with current GAAP.

**MW 07-09    Related Party Transactions Disclosure**

**Response:** The University agrees with the comment that our accounting system does not generate information to identify related party transactions. In response, in January 2008, management created a new vendor type that will be assigned to all vendors designated as a potential related party. In an effort to gain as much accurate information as possible, a request will be sent out to all Board of Trustee members as well as all budget officers to identify any potential related party entities. The request will be sent out by March 15, 2008 and responses will be requested by April 30, 2008. This information will be used to update the vendor records. A report will be generated at year end and reviewed to assist in the development of the related party note disclosure.

**MW 07-10    Component Unit Transactions**

**Response:** Management will review procedures in place to ensure communication and monitoring of disclosure information related to component units. Inadequate processes will be revised. Currently, accounting personnel responsible for component unit financial transactions and statement preparation are University employees and report through the Department of Financial Services. In 2008, management will evaluate this reporting relationship and recommend changes if necessary to improve segregation of duties and financial responsibility. Adjustments will be made as needed to comply with suggested recommendations.

**MW 07-11    Deferred Compensation Issues**

**Response:** The compensation cited was distributed by the Student Housing Foundation to the University employee in December 2007 and a form 1099-MISC was issued.

## **Other Compensation Issues**

Going forward all actions taken by component unit boards (CEF, SHF, Chanticleer Club, HCHEC) with regards to University employee compensation must be approved by the University President prior to their board approval. If such compensation is for the University President, it must be approved by the University Board of Trustees.

### **MW 07-12 Segregating Ticket Sales Duties**

**Response:** The Athletics Department has already consulted with University Internal Audit staff, resulting in an updated revenue reconciliation process. Ticket sale deposits are currently reconciled with the ticketing software reports. In an effort to safeguard cash, ticket office cashiers are issued cash drawers and reconcile the cash drawers daily. The ticket manager does not operate a cash drawer. However, there will be improved internal documentation of complimentary tickets required by visiting teams and provided to parents of athletes and others. A reconciliation process to account for all complimentary tickets will be developed and implemented by the first home game of the 2008 football season. In addition, an Athletics Department staff member with duties outside of the ticket office, who has no access to software or cash, will perform a monthly reconciliation between ticket revenue accounts in the University general ledger and the ticket sale software reports.

### **MW 07-13 Hiring Practices**

**Response:** In response to this comment, management will modify the *Request to Hire* form which is submitted by the hiring manager through the appropriate administrative channel to the Office of Human Resources and Equal Opportunity. This form is required to initiate offers of employment. The modified form will require the hiring official and all levels of management involved in the authorization to certify that the hire will not violate the nepotism policy. Additionally, the form will ask the manager to confirm that the relationship, if one exists, will not violate the nepotism policy. Since this information will be provided on the actual form, any issues will be identified and highlighted for all members of management who must approve the request to hire. Once the form has been routed through the administrative channel, the Office of Human Resources and Equal Opportunity will then review the *Request to Hire* form to verify that the information submitted on the form does not violate the nepotism policy. If the hire is compliant with University policy, the Office of Human Resources and Equal Opportunity will proceed with processing the new hire. By asking the hiring officials, department heads, and vice presidents directly to certify compliance, the Office of Human Resource and Equal Opportunity can ensure the policy is followed.

Additionally, University management is reviewing the current nepotism policy and may propose changes based on this review.

**MW 07-14    Unauthorized Compensation Policy**

**Response:** In August 2006, the University's internal audit department discovered that a supervisor of employees who were required to work on weekends would inflate the time worked from the regular 37.5 hours to 40 hours during the regular work week so these employees would be eligible to earn an overtime rate of time and half for the required weekend hours. The additional 2.5 hours in the regular week would not be paid, but the result of recording these additional hours would be that weekend hours were all paid at time and half instead of the first 2.5 hours of weekend work resulting in no pay. Management immediately stopped this practice. The Office of Human Resources and Equal Opportunity is currently working with the State of South Carolina to evaluate and possibly change the policies related to payment for work on an alternate shift which will alleviate the problem of non-payment for those on call or who are required to work a weekend shift which is not included as part of their regular schedule.

Management is also currently implementing a web-based time and attendance system which requires both employees and supervisors to authorize time cards and is also reviewing the required overtime policy and pay structure.

**MW 07-15    Tracking Work Orders**

**Response:** University management agrees with the finding which was brought to the attention of the administration through an internal audit investigation in August 2006. Since that time the selection and implementation of a work order/job cost and inventory tracking system has taken place. This new system was officially launched in October 2007.

**MW 07-16    Monitoring Conflicts of Interest**

**Response:** Currently, two ethics and conflict of interest forms are required to be submitted by the Board of Trustees members and senior level management. One is a State of South Carolina form and the other is internal to Coastal Carolina University. In alignment with the recommendation, University management has implemented procedures to actively compare the two filings and to ensure the active monitoring and compliance with conflict of interest policies.

**SD 07-01      Verification**

See response under separate cover dated October 2, 2007, provided by Ron Day, Director, Office of Financial Aid.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Wilbur L. Garland".

Wilbur L. Garland  
Vice President for Business Affairs



COASTAL CAROLINA UNIVERSITY  
*Office of Financial Aid*

October 2, 2007

To: Wayde Dawson

From: Ron Day

Re: Verification Finding

This is in response to the finding regarding a Verification error.

The Financial Aid Office began the 2006-2007 awarding cycle with a staffing issue that required the removal of the individual performing verification. The remaining staff reviewed all previously verified files for accuracy. Every effort was made to correct mistakes made by the previously released individual.

Beginning October 2006 the Financial Aid Office replaced this individual. This individual was required to take part in multiple training initiatives. She also was monitored on a daily basis for 10 months. All verifications performed were checked by two staff members with many years experience. Every effort has been made to insure complete and accurate compliance with federal rules and regulations.

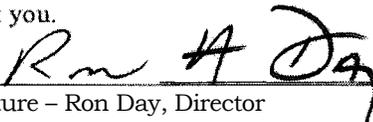
The noted error to Ms. Laura Hendershot involved the inaccuracies of:

- Income Tax Paid – should have been \$694
- Wksht B – should have been \$8,200

With the correction of these two elements, the EFC was reduced to 3,098. This causes the additional eligibility of \$300 in Pell Grant. The Office of Financial Aid has corrected this error and added an additional \$300 to Ms. Hendershot's account.

The Financial Aid Office strives to award all funds within the confines of rules and regulations. Every effort will be made to insure the full and complete compliance with these mandated guidelines. Please feel free to contact me should you have further questions or need additional clarification.

Thank you.

  
\_\_\_\_\_  
Signature – Ron Day, Director

10/2/07  
\_\_\_\_\_  
Date