

**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, 2008**



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, 2008

Prepared by the

Office of the Associate Vice President for Finance and Administration

and the

Office of the Senior Vice President for Finance and Administration

COASTAL CAROLINA UNIVERSITY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION



Thomas W. and Robin W. Edwards Building Courtyard

President's Letter

2008



Dr. David A. DeCenzo

October 31, 2008

Dear Coastal Carolina University Friends:

One of the wonderful traditions that I have noted in my time here at Coastal Carolina University is the unity in a common purpose that permeates this campus. More than any other, this tradition sustains us through these difficult times of fiscal constraints. Even as we face reductions in our allocations from the state, I am confident that this common purpose will kindle our collective spirits to find more efficient paths toward excellence.

As one of the lowest-funded comprehensive universities in South Carolina, Coastal Carolina University embraces innovation. From forming more efficient service partnerships with our two-year college neighbor, Horry-Georgetown Technical College, to sharing space with Horry County Schools, our university exudes the same pioneering spirit that founded this institution in 1954. We believe our innovation sets a national standard for inter-governmental cooperation to save money and improve communication among all who are committed to excellence in public education.

Here are some highlights from the past year:

- Total undergraduate enrollment for Fall 2007 was 7,070, which is an increase of 410 (6.2%) students from the previous fall semester and the largest undergraduate enrollment since fall 2002.
- In Fall 2007, there were 284 full-time employees with faculty rank. Of these, 39% were women and 61% were men, 80% possessed terminal degrees, 54% were tenured, 21% were professors, 24% were associate professors, 41% were assistant professors, and 14% were instructors/other.
- Strategic planning continued, with specific objectives adopted for each major campus initiative over the next five years.
- As part of an effort to improve communication and security on campus, Coastal Carolina University launched "CCU Alert," a new notification system that enables the university to send urgent news to mobile phones. CCU Alert is used to notify subscribers of (1) inclement weather requiring a change in the class schedule or closing of the campus and (2) any incident posing an imminent threat to the health and safety of the university community.
- The University Public Safety Department initiated a drug and alcohol awareness program with regional law enforcement agencies to help students address peer issues on campus and in the community. A campus sweep in cooperation with the South Carolina Law Enforcement Division resulted in several arrests for illegal substances. Subsequently, student leaders began a campus-wide education program.

- An administrative reorganization initiative began, reducing the number of direct reports to the president and increasing the number of reports to the executive vice president.
- The E. Craig Wall Sr. College of Business Administration was selected for inclusion in the 2009 edition of "Best Business Schools" published by The Princeton Review and Random House.
- Renowned historian Vernon Burton, author of *The Age of Lincoln*, was appointed Burroughs Distinguished Professor of Southern History and Culture.
- AVX Corporation's Foundation established the Marshall D. Butler Distinguished Endowed Professorship of Finance in CCU's E. Craig Wall Sr. College of Business Administration. Butler, of New York City, served as CEO and chairman of AVX Corporation, the Myrtle Beach-based electronic components manufacturer, from 1973 until his retirement in 1993. Butler is credited with leading the company to its dominant position in the worldwide production and sales of ceramic and tantalum capacitors.
- Retired businessman Thomas P. Brown Jr., his wife Jessie Brown and their son Thomas P. Brown III established the Each One Teach One Entrepreneurship Institute in CCU's E. Craig Wall College of Business Administration and initiated funding for the TPJ Brown Entrepreneurship Scholars, a new scholarship program for at-risk students interested in pursuing business careers.

Personal attention from faculty and a campus beautification program continue to impart a small college atmosphere on campus. I am proud of our students, faculty, staff and administrators for extending the highest level of hospitality to students and visitors. Their efforts and energies, combined with sound fiscal practices and public accountability, make Coastal Carolina University poised for excellence.

Sincerely,



David A. DeCenzo
President



COASTAL CAROLINA UNIVERSITY

Senior Vice President for Finance and Administration

LETTER OF TRANSMITTAL

November 20, 2008

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, 2008.

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, 2008, 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, 2008, 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's academic areas are organized into four colleges – Business, Education, Science, and Humanities and Fine Arts, offering 40 major fields of study and 37 undergraduate minors. The University also offers master's degree programs in business administration, education, and coastal marine and wetland studies. Programs with national accreditation include the College of Business (AACSB), Studio Art (NASAD), Computer Science (ABET), and Teacher Education (NCATE), Professional Golf Management Program (PGA), and Health Promotion (SOPHE/AAHE). Coastal's many international partnerships make it possible for students to study in places such as Australia, China, Costa Rica, England, Ecuador, France, Galapagos Islands, Germany, India, Ireland, Japan, Russia, and Spain. Coastal houses approximately 3,300 students on or near campus, with a total FTE enrollment of approximately 7,610 in the fall of 2008. 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 57 percent of its total net revenues coming from student tuition and fees, while only 16.1 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 50 percent of all tuition, although only 29 percent of students are from out-of-state.

As the percent of resources from state funding has fallen dramatically over the past few years, it has been necessary to increase tuition to continue to provide quality educational programs. Although the state has chosen to fund students through scholarships, primarily from lottery funds, these funds did not add to the funds available to the University to provide programs and services. For many years, Coastal has ranked among the lowest in the state in in-state tuition charges. The average percent increase of in-state tuition for the comprehensive university sector over the past two years has been 15.7 percent. The increase for Coastal over this same period has been 15.3 percent. This means that seven (7) institutions in the sector had larger increases than Coastal. Out-of-state students, on the other hand, have been charged an amount that exceeds their educational costs, to ensure that out-of-state students do not constitute a drain on state resources.

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 13.8 percent for the Fall of 2008, due to the significant impact of loss of state funding.

The University operates five auxiliary enterprises which have helped to build and sustain cash reserves in tight economic times. The first four consist of the bookstore (outsourced to Follett's), housing (operated by the University), vending (outsourced to Pepsi-Cola and C.A. Timbes, Inc.), and food service (outsourced to Aramark). Since Fall 2007, student health services have been provided for all undergraduate students as a part of the basic tuition cost. The fifth, 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 20 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

When Dr. David DeCenzo became president of Coastal Carolina University in May 2007, he pledged to begin a process through which the campus community would work together to define its future as an institution modeled on the ideals of excellence and integrity, while appreciating the University's traditions. The focus of his inauguration speech on tradition, integrity, and excellence continues in Coastal Carolina University's 2008 - 2013 Strategic Plan, entitled "Tradition, Integrity, Excellence: Building a Comprehensive University." This strategic plan will enable Coastal Carolina University to realize its vision of becoming the public comprehensive university of choice in South Carolina. The plan's emphasis on meeting educational needs and ensuring success for students, faculty, and staff, while ensuring financial viability and managed growth will help us to focus the University's efforts and resources on desired outcomes and deliver the quality bachelor's and master's programs that are the hallmarks of an outstanding comprehensive university.

The strategic planning process at Coastal Carolina University has been significantly revised to adopt an explicit commitment to openness that included the input of hundreds of students, faculty, staff, alumni, trustees and community members. Throughout the past year, several significant processes within the strategic planning area have demonstrated this openness, including:

- A 17-member Strategic Planning Steering Committee was developed to bring broad stakeholder representation to the discussion and evolution of the new strategic plan;
- As an institution, Coastal Carolina University has realistically and publicly assessed the University in a number of critical ways, including bringing in outside consultants (the Fisher Group) to provide external critique on institutional processes;
- Coastal Carolina University has identified peer and aspirant institutions;
- Coastal Carolina University has initiated a process of more effectively utilizing meaningful benchmarks to judge the University's position relative to peer, aspirant and competing institutions;
- Based on the involvement of hundreds of students, faculty, staff, alumni, trustees, and community members, Coastal Carolina University has adopted a new mission statement that was approved by Coastal Carolina University's Board of Trustees on December 14, 2007, and received final approval by the South Carolina Commission on Higher Education on January 8, 2008;

- Utilizing input from all stakeholder groups and information from peer, aspirant, and competing institutions, Coastal Carolina University revisited and revised the University values statement in spring 2008;
- In spring 2008, a limited number of key strategies were identified, and six key task forces with broad stakeholder representation worked on analyzing and identifying key priorities and recommendations for the major issues that surfaced as a result of the critical reflection and analysis noted above. The reports from these task forces included a total of 26 goals, 95 objectives, and more than 120 bulleted specific actionable areas;
- The final draft strategic plan was shared with University stakeholders for their feedback and input, and with the resulting changes, the strategic plan presented to the Coastal Carolina University Board of Trustees in June 2008 included four main and three supporting strategies (shown below) that will drive Coastal Carolina University forward. These strategies are further broken down into 22 goals and 91 objectives. The implementation plan developed as a part of that plan will ensure that Coastal Carolina University not only makes progress on this strategic plan, but that the University is poised to embrace an open, inclusive approach that guarantees accountability in the face of a bright and dynamic future.

Key Strategies

1. Meeting the Educational Needs of Students and Community – Expand degree and non-degree program offerings and formats while maintaining quality in all programs.
2. Ensuring Student Success – Increase retention and graduation rates by supporting programs and services that enrich the student learning and living environment and broaden the diversity of students seeking Coastal Carolina University as their choice for educational advancement.
3. Highly Qualified Faculty and Staff Success – Develop programs and services that support a successful, satisfying, safe, healthy, and productive work life for Coastal Carolina University faculty and staff.
4. Ensuring Financial Viability and Managed Growth – Ensure responsible financial management practices which are based on a clear commitment to enrollment growth and consistent with the mission of the University.

Supporting Strategies

1. Improved Communication – Enhance communication within Coastal Carolina University

2. Stronger Assessment and Accountability – Implement and maintain an environment of institutional effectiveness that is based on a culture of assessment, results in continuous improvement, and supports the University in effectively accomplishing its mission.
3. Increased Technological Support - Manage technology tools, systems, skills, and applications to deliver effectively on the key strategies.

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.

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

Coastal Carolina University requested and received approval of an \$11.3 million bond issue at the South Carolina Budget and Control Board on August 8, 2006. This bond issue funded a large number of projects. If Coastal Carolina University receives approval from the South Carolina State Budget and Control Board to issue approximately \$54 million in Institutional Bonds, the following projects would be addressed.

Project	Estimated Cost
1. Parking/Infrastructure	\$4,000,000
2. Kingston Hall	\$3,000,000
3. Kimbel Library/Information Commons	\$6,000,000
4. Smith Science Center Annex	\$15,000,000
5. Activity/Recreation Center	\$26,000,000
Total	\$54,000,000

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 79 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, 2007. This was the fifth 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 Finance and Administration, 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
Senior Vice President for Finance
and Administration



Stacie A. Bowie
Associate Vice President for Finance
and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coastal Carolina University

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



President

Executive Director

**COASTAL CAROLINA UNIVERSITY
BOARD OF TRUSTEES
2008-2009**

Marshall C. Sanford, Jr.	Ex Officio Chairman
Vacant	First Congressional District – Seat One
Robert L. Rabon	First Congressional District – Seat Two
Oran P. Smith	Second Congressional District – Seat Three
Robert G. Templeton	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
Vacant	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 Designee
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
Clark B. Parker	Trustee Emeritus
Juli S. Powers	Trustee Emerita
Keith S. Smith	Trustee Emeritus

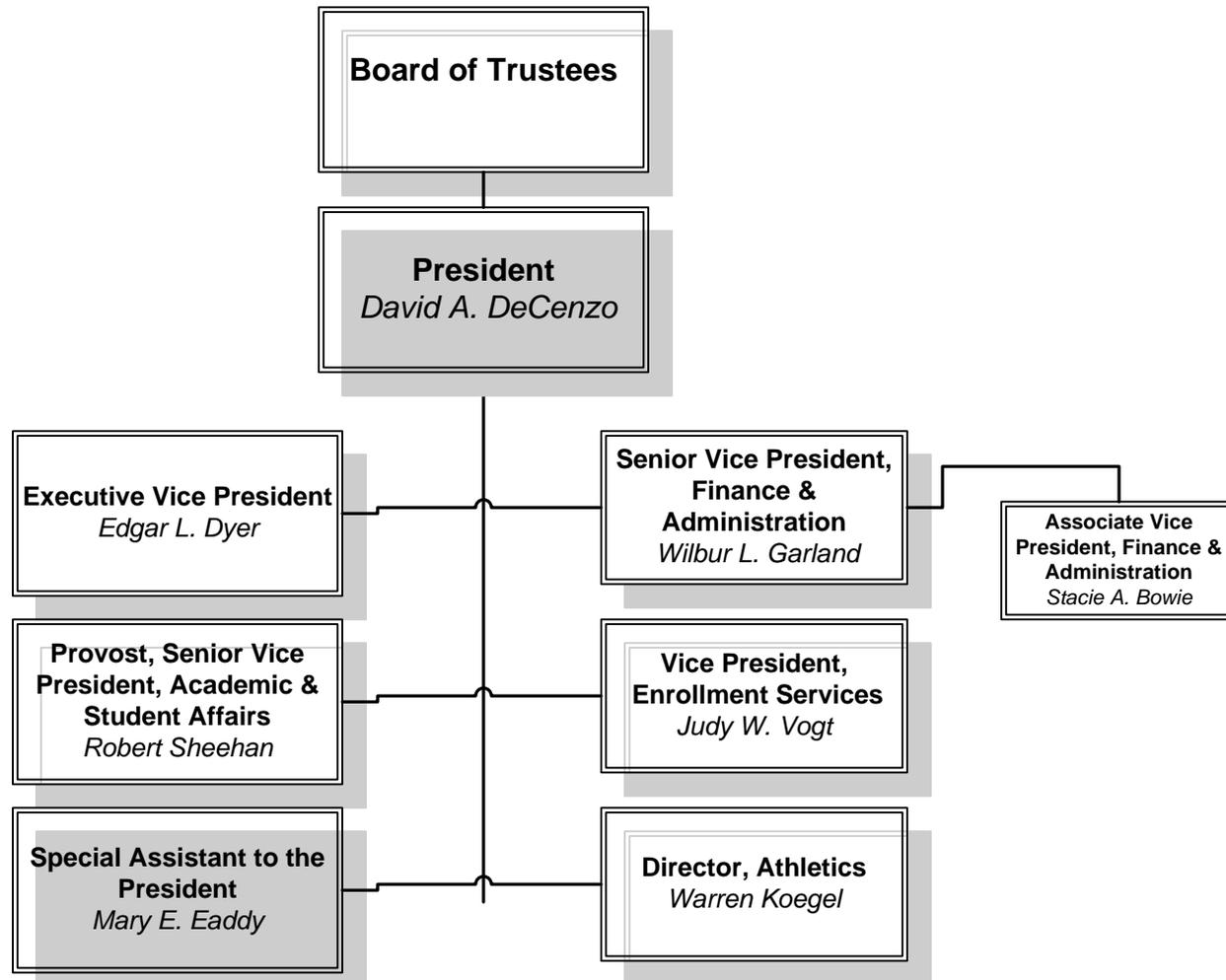
COASTAL CAROLINA UNIVERSITY
ADMINISTRATIVE OFFICERS
2008-2009

David A. DeCenzo, Ph.D.	<i>President</i>
Edgar L. Dyer, J.D.	<i>Executive Vice President, University Counsel</i>
Wilbur L. Garland, M.B.A.	<i>Senior Vice President, Finance and Administration</i>
Robert Sheehan, Ph.D.	<i>Provost, Senior Vice President, Academic & Student Affairs</i>
Judy W. Vogt, Ed.D.	<i>Vice President, Enrollment Services</i>
Warren Koegel, B.S.	<i>Director of Athletics</i>
Mary E. Eaddy, M.A.	<i>Special Assistant to the President</i>
Stacie A. Bowie, M.B.A.	<i>Associate Vice President, Finance and Administration</i>
Haven L. Hart, M.Ed.	<i>Interim Assoc. Vice President & Dean of Students</i>
Deborah K. Conner, Ph.D.	<i>Associate Vice President, University Relations</i>
Barbara C. Buckner, Ph.D.	<i>Associate Provost, Assessment and Accreditation</i>
Sallie D. Clarkson, M.L.S.	<i>Associate Provost, Administrative & Academic Student Services</i>
Valgene Dunham, Ph.D.	<i>Interim Associate Provost, Grants & Sponsored Research</i>
Richard L. Johnson, Ph.D.	<i>Associate Provost, Graduate Studies & Academic Outreach</i>
David W. Evans, Ph.D.	<i>Assistant Provost, Technical College Engagement</i>
Gibson F. Darden, Ed.D.	<i>Interim Dean, Spadoni College of Educ. & Dir., Health & Kinesiology</i>
Henry H. Lowenstein, Ph.D.	<i>Dean, Wall College of Business Administration</i>
William Richardson, Ph.D.	<i>Dean, Edwards College of Humanities & Fine Arts</i>
Michael H. Roberts, Ph.D.	<i>Dean, College of Natural & Applied Sciences</i>
Barbara Burd, Ph.D.	<i>Executive Director, Library & Instructional Technologies</i>

COASTAL CAROLINA UNIVERSITY
FINANCE AND ADMINISTRATION OFFICERS
2008-2009

Wilbur L. Garland	<i>Senior Vice President for Finance and Administration</i>
Brenda Cox	<i>Administrative Coordinator</i>
Stacie A. Bowie	<i>Associate Vice President for Finance and Administration</i>
Mirinda Chestnut	<i>Administrative Specialist</i>
Lori Church	<i>Controller</i>
Heather Walbring	<i>Senior Staff Accountant, Cash Management</i>
Larry Peak	<i>Director, Grants and Tax Accounting</i>
Tammy Holt	<i>Grants Accountant</i>
Lila Taylor	<i>Supervisor, Accounts Payable – Academic</i>
Bill Douglas	<i>Accounts Payable Technician</i>
Virginia Altman	<i>Supervisor, Accounts Payable – Non Academic</i>
Brenda Rabon	<i>Accounts Payable Technician</i>
Sheila Mooney	<i>Accounts Payable 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>
Annette Roberts	<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>
Regina Lee	<i>Director, University Receivables</i>
Lillian Heit	<i>Accountant, Accounts Receivable</i>
Sheila Singleton	<i>Temp. Assistant</i>
Scott Gallimore	<i>Administrative Specialist, CINO Card System</i>
Danny Martin	<i>Manager, Student Accounts</i>
Vacant	<i>Special Projects Coordinator, Student Accounts</i>
Elaine Bridges	<i>Head Cashier</i>
Annette Johnson	<i>Student Accounts Specialist</i>
Sherrell Richardson	<i>Cashier, Temporary</i>
Tukonya Vereen	<i>Cashier, Temporary</i>
Joni Lucarelli	<i>Student Accounts Specialist</i>
Carolyn Singleton	<i>Cashier, Tuition Payment Plan</i>
Sharon Sluys	<i>Senior Staff Accountant, Budget/Forecasting</i>
Keith Smith	<i>Director of Finance, University Foundations</i>
Julianne Cooke	<i>Junior Accountant, University Foundations</i>
Robyn Diven	<i>Fiscal Technician, Gift Entry</i>
Pat West	<i>Exec. Director, Human Resources & Org. Development</i>
Lisa Bellamy	<i>Administrative Specialist</i>
Jill Conway	<i>Payroll Manager</i>
Vicky Rabon	<i>Assistant Payroll Manager</i>
Gertrude Southworth	<i>Payroll Clerk</i>
Richard Zook	<i>Graduate Assistant</i>
Linda P. Lyerly	<i>Associate Athletic Director for Finance</i>

COASTAL CAROLINA UNIVERSITY ORGANIZATIONAL CHART



COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION



Wheelwright Auditorium

COASTAL CAROLINA UNIVERSITY

Independent Auditors' Report

Financial Statements and Schedules

For the Year Ended June 30, 2008

COASTAL CAROLINA UNIVERSITY

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FINANCIAL INFORMATION

Independent Auditors' Report

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And the Board of Trustees of
Coastal Carolina University
Conway, South Carolina

We have audited the accompanying financial statements of Coastal Carolina University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2008. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

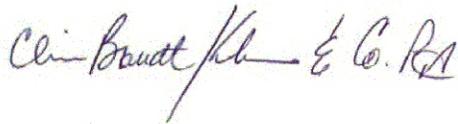
As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2008, 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, 2008, 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 as listed in the accompanying Table of Contents is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted by the United States of America. 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 introductory section, the supplemental financial statements and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the University. The supplementary information and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 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 score 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 that reads "Clin Baudt, CPA". The signature is written in a cursive style with a horizontal line extending to the right.

September 23, 2008



COASTAL CAROLINA UNIVERSITY

Associate Vice President for Finance and Administration

Coastal Carolina University Management's Discussion and Analysis

Coastal Carolina University is pleased to present its financial report for the year ended June 30, 2008. 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 for 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 nonoperating. 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. Many board members, faculty, staff and students were heavily involved in the search and interview process. Dr. DeCenzo took over the presidency after the spring graduation ceremony in May 2007. Formal inauguration activities took place in September 2007, and fiscal year 2008 concluded the new president's first full year in the position.

Managing undergraduate enrollment growth continued to be one of the principal planning issues at the University in fiscal year 2008. The undergraduate full-time equivalency (FTE) enrollment for the fall of 2007 was 6,890, representing a 7.7% increase over the previous fall, and a 56% increase since the fall of 2001. This was fueled by a 6.4% increase in freshman applications for admission over the previous year, and a 114% increase in the number of freshman applications since 2001. In the fall of 2007, the University implemented an in-state tuition increase of 1.3% and an out-of-state increase of 2.5%. 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 8%. Gross undergraduate revenue increased by 10% and gross graduate revenue decreased by 17%. The graduate revenue decline in the current fiscal year is due to less utilization of the contract courses offered to the local school districts. Tuition forfeited by students due to withdrawal decreased by 8% last year and a further 4% in the current fiscal year, which is a good indicator of student retention success.

Statement of Net Assets

Total Assets - increase of \$10.7 million

Total assets increased by \$10.7 million. The increase of \$9.8 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 increase in cash flows from non-capital financing activities, primarily state appropriations and gifts of \$3.0 million to a total of \$20.8 million reduced by usage of operating cash of \$5.8 million, an increase in operating cash usage of \$2.4 million over last year and a decrease in the cash balance from capital financing activities of \$13.2 million. In addition, there was an increase of over \$420 thousand in interest income. Net capital assets increased by approximately \$682 thousand due to routine capital asset purchases, disposals and depreciation as well as the purchase of the band practice facility and land capitalized for \$1.1 million.

Total Liabilities - decreased by \$1.7 million

Liabilities decreased by \$1.7 million, primarily due to the reduction of bonds payable of \$1.7 million. Current liabilities decreased by \$91 thousand with a decrease of \$677 thousand reduction in unearned revenue, an increases in accounts and retainage payable of \$157 thousand, accrued payroll of \$103 thousand, funds held for others of \$124 thousand, and accrued compensated absences of \$134 thousand.

Net Assets - increase of \$12.5 million

Net assets increased by \$12.5 million. This was comprised of an increase in capital assets, net of debt of \$766 thousand, primarily due to the decrease in bonds payable of \$1.7 million, and the increase in capital assets of \$682 thousand. Net assets restricted but expendable increased by \$4.2 million due mostly to the increase of \$4.6 million of institutional capital project funds, a decrease of \$1.6 million in bond proceeds outstanding and an increase of funds set aside for debt service of \$1.6 million. Unrestricted net assets grew by \$7.5 million due mostly to an increase in the set-aside for renovation reserve and plant expansion. An adjustment to the FY07 calculation of invested in capital assets, net of debt was made to exclude the cash restricted for capital asset purchases from the debt removed. This adjustment added \$10.2 million to the invested in capital assets, net of debt and decreased the previous year's unrestricted net asset balance. No restatement was necessary as there was no change to the overall net assets.

Condensed Summary of Net Assets

Assets	2008	2007	Increase/ (Decrease)	Per Cent Change
Current assets	\$ 54,406,092	\$ 4,567,806	\$ 9,838,285	22%
Capital assets, net	90,646,422	89,963,591	682,831	1%
Other assets	2,963,631	2,734,155	229,476	8%
Total Assets	148,016,145	137,265,552	10,750,593	8%
Liabilities				
Current liabilities	10,595,182	10,686,345	(91,163)	-1%
Non-current liabilities	44,091,647	45,704,903	(1,613,256)	-4%
Total Liabilities	54,686,829	56,391,248	(1,704,419)	-3%
Net Assets				
Invested in capital assets, net of debt	57,318,311	59,379,295	(2,060,984)	-3%
Restricted - non-expendable	100,000	100,000	-	0%
Restricted - expendable	19,439,071	15,203,375	4,235,696	28%
Unrestricted	<u>16,471,934</u>	<u>6,191,634</u>	<u>10,280,300</u>	166%
Total Net Assets	\$ 93,329,316	\$ 80,874,304	\$ 12,455,012	15%

Statement of Revenues, Expenses and Changes in Net Assets

Total Revenues - increase of \$11 million

An \$11 million increase in total revenue was comprised of growth in operating revenues of \$8.1 million and an increase in non-operating revenue of \$3.0 million.

The largest dollar increase due to operations was a \$4.6 million increase in student tuition and fees, representing an 8% growth over the previous year. Grants, contracts and scholarships increased by \$3.3 million, representing a 23% growth.

The net growth in non-operating revenue was comprised of growth in state appropriations of \$1.5 million including a change of supplemental appropriation to recurring funding taking original appropriation from \$12.3 million to \$15.7 million. The current fiscal year saw supplemental appropriations go from \$2.6 million to \$691 thousand. The conversion of supplemental appropriation to recurring funds helps to move the University closer to the average funding among SC comprehensive universities. Gifts increased by \$1.1 million of which \$600 thousand was attributable to the fair market of the land and band practice facility purchase.

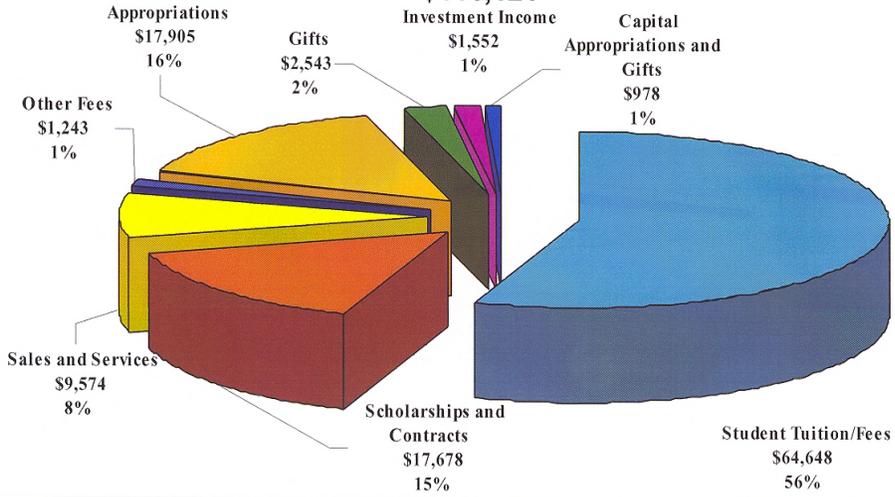
Total Expenses - increase of \$8.6 million

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 \$7.1 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 as the enrollment continues to increase and the University works toward providing the best possible instruction in the form of permanent full-time faculty. Services and supplies increased 1% or a \$292 thousand increase over last fiscal year. Utilities increased 7% or \$247 thousand. Scholarship support continued to rise with tuition and enrollment, showing an increase of approximately 10% and depreciation increased 13%.

Condensed Summary of Revenues, Expenses and Changes in Net Assets				
	2008	2007	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	\$ 64,647,787	\$ 60,037,693	\$ 4,610,094	3%
Grants and contracts	17,677,740	14,336,101	3,341,639	23%
Sales and services	9,573,879	9,546,340	27,539	0%
Other operating revenues	1,243,228	1,073,120	170,108	16%
Total operating revenues	93,142,634	84,993,254	8,149,380	10%
State appropriations	17,671,977	16,171,875	1,500,102	9%
Local appropriations	233,670	315,079	(81,409)	-26%
Gifts	2,542,588	1,412,749	1,129,839	80%
Capital grants and appropriations	978,356	818,208	160,148	20%
Investment income	1,551,714	1,256,909	294,805	23%
Total nonoperating revenues	22,978,305	19,974,820	3,003,485	15%
Total Revenues	116,120,939	104,968,074	11,152,865	11%
Expenses:				
Personnel costs and benefits	65,043,866	57,926,829	7,117,037	12%
Services and supplies	23,150,973	22,859,221	291,752	1%
Utilities	3,517,704	3,280,450	237,253	7%
Scholarships	6,556,671	5,974,936	581,735	10%
Depreciation	3,703,998	3,267,991	435,917	13%
Total operating expenses	101,973,122	93,309,427	8,663,695	9%
Interest expense	1,647,266	1,740,332	(93,066)	-5%
Loss on disposal of asset	45,539		45,539	
Total Expenses	103,665,927	95,049,759	3,616,168	9%
Change in Net Assets	12,455,012	9,918,315	2,536,697	26%
Net Assets, beginning of year	80,874,304	70,955,989	9,918,315	14%
Net Assets, end of year	\$ 93,329,316	\$ 50,874,304	\$ 12,455,012	15%

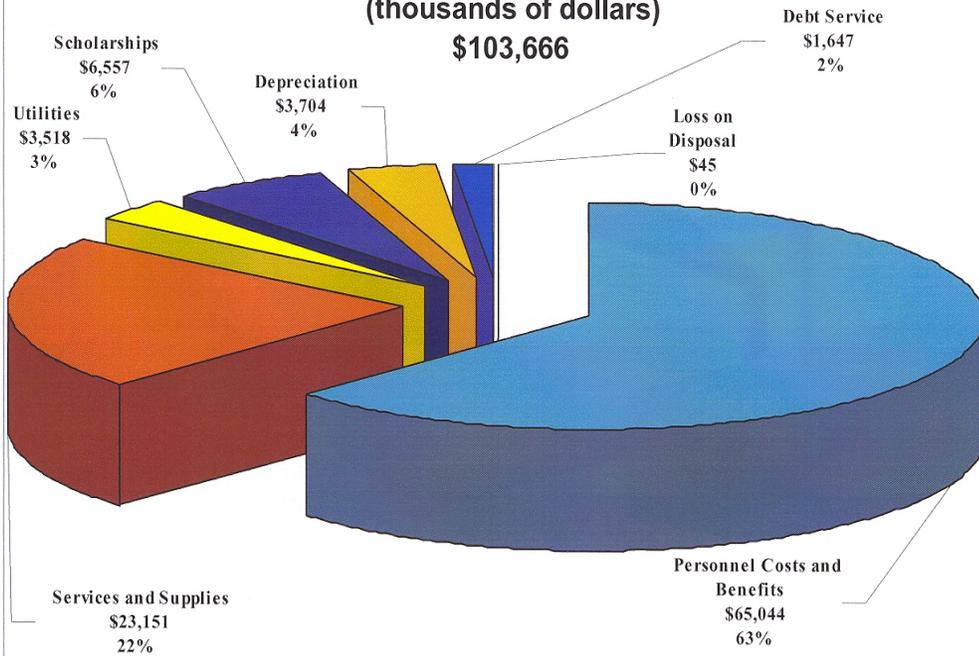
Total Revenues by Source
(thousands of dollars)

\$116,121



Total Expenses by Classification
(thousands of dollars)

\$103,666



Capital Assets and Debt

Capital assets at June 30, 2008 consisted of land, \$1.6 million construction in progress, and \$88.0 million in land improvements, buildings, equipment, vehicles, and intangible assets, net of accumulated depreciation. The portion of campus land owned by the University is booked at a historical value of \$931 thousand. A current year addition of campus land in the purchase of the band practice facility added \$736 thousand to the value of the land held by the University.

The construction in progress is comprised mainly of the athletic training facility building planned for the north end zone in the football stadium and the construction of the Environmental Quality Lab. Please see Note 6 to the financial statements for further details of capital asset activity.

Debt on capital assets is approximately \$41.7 million, comprised of \$1.7 million in current liabilities and \$40.0 million in long-term liabilities. Details on the capital lease obligation of the University as of June 30, 2008, 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 2008.

Campus road improvements	\$	90,543
William Brice Bldg – Pool Window Replacement		170,200
Soccer Field – Irrigation and Drainage		142,645
Quail Creek Irrigation		738,030
Band Building and Practice Field		<u>515,500</u>
Total	\$	1,656,918

Fall 2008 undergraduate in-state enrollment increased 6% and out of state increased 9%. In an effort to move forward with building construction and renovation projects, tuition was increased to facilitate the bonding capacity while balancing the growth needed for operations. \$525 per student is currently set aside for future debt service. In the upcoming fiscal year, the University is requesting permission to issue \$54 million in bonds to construct academic and student services facilities including a 24/7 information commons in the library, a one-stop shop for student admissions, registration and financial aid, an addition to the student recreation facility, an addition to the science facility, and general infrastructure improvements.

In the current fiscal year, the University worked with legislators to amend a law allowing higher education to participate in the revenue from sales tax. As a result of this amendment, Coastal Carolina University and Horry Georgetown Technical College will be able to participate in a potential 1 % sales tax levy in conjunction with Horry County Public Schools. The 1 % sales tax referendum will be on the ballot in the November election. Should the tax pass, the University will have the potential to issue an additional \$70 - \$75 million additional in bonds to fund additional campus facilities.

In early summer, the administration received notice of a budget cut from the State in the amount of 3% of funding or \$490 thousand. Currently, a hiring freeze is in place for all new hires and new temporary positions. Replacement positions for those who leave the University are hired as needed. Due to the current state of the economy, the University anticipates the possibility of a further reduction to the State appropriation in the amount of another 3%.

The University anticipates the purchase of 10 acres of land near the University from the Department of Natural Resources for \$1.12 million.

COASTAL CAROLINA UNIVERSITY

Statement of Net Assets

June 30, 2008

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 30,190,227
Accounts and Pledges Receivable, Net	3,532,356
Due From Component Units	135,296
Inventory	389,735
Prepays	410,301

RESTRICTED CURRENT ASSETS

Restricted Cash and Cash Equivalents	<u>19,748,177</u>
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Total Current Assets	<u>54,406,092</u>
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NONCURRENT ASSETS

Capital Assets, Net of Accumulated Depreciation	
Land	930,704
Construction in Progress	1,637,335
Buildings and Improvements	84,346,529
Equipment, Vehicles and Intangible Assets	3,731,854
Other Assets, Net	1,405,663

RESTRICTED NONCURRENT ASSETS

Restricted Cash and Cash Equivalents	164,735
Loans to Students, Net	<u>1,393,233</u>

Total Noncurrent Assets	<u>93,610,053</u>
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Total Assets	<u><u>148,016,145</u></u>
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LIABILITIES

CURRENT LIABILITIES

Accounts and Retainage Payable	1,888,627
Due to Component Unit	43,937
Accrued Payroll and Related Liabilities	3,348,615
Intergovernmental Payables	21,696
Unearned Revenue	2,520,457
Funds Held for Others	323,903
Accrued Compensated Absences, Current	374,300
Bonds Payable, Current	1,660,000
Capital Lease Payable, Current	104,509

CURRENT LIABILITIES PAYABLE FROM RESTRICTED CURRENT ASSETS

Interest Payable	<u>309,138</u>
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Total Current Liabilities	<u>10,595,182</u>
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NONCURRENT LIABILITIES

Accrued Compensated Absences	2,373,105
Bonds Payable	40,020,000
Capital Lease Payable	162,895
Other Liabilities	77,968

NONCURRENT LIABILITIES PAYABLE FROM RESTRICTED NONCURRENT ASSETS

Federal Loan Program Liability	<u>1,457,679</u>
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Total Noncurrent Liabilities	<u>44,091,647</u>
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Total Liabilities	<u><u>54,686,829</u></u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	57,318,311
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Restricted For:

Nonexpendable:	
Permanently Restricted	100,000

 Expendable:

Instruction	32
Capital Projects	15,990,049
Satisfaction of Debt Covenants (Net of Interest Payable)	3,448,990

Unrestricted	<u>16,471,934</u>
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Total Net Assets	<u>\$ 93,329,316</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, 2008

REVENUES

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowance of \$13,954,382; \$6,392,583 is Pledged for Debt Service on General Obligation Bonds)	\$	64,647,787
Government Scholarships and Contracts		17,677,740
Sales and Services of Educational Departments		2,380,591
Sales and Commissions of Auxiliary Enterprises (net scholarship allowance of \$1,550,487)		7,193,288
Other Fees		<u>1,243,228</u>
Total Operating Revenues		<u>93,142,634</u>

EXPENSES

Personnel Costs and Benefits		65,043,866
Service and Supplies		23,150,973
Utilities		3,517,704
Scholarships		6,556,671
Depreciation		<u>3,703,908</u>
Total Operating Expenses		<u>101,973,122</u>
Operating Loss		<u>(8,830,488)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations		17,671,977
Local Appropriations		233,670
Grants and Contracts		17,234
Gifts (Including \$1,078,266 from Coastal Educational Foundation and \$848,192 from CCU Student Housing Foundation)		2,525,354
Investment and Endowment Income		1,551,714
Interest on Capital Asset Related Debt		<u>(1,647,266)</u>
Net Nonoperating Revenues		<u>20,352,683</u>
Income Gain(Loss) Before Other Revenues, Expenses, Gains or Losses		11,522,195
County Capital Appropriations		145,000
Capital Grants and Gifts (Including \$44,360 from Coastal Educational Foundation)		833,356
Gain (Loss) on Disposal of Assets		<u>(45,539)</u>
		12,455,012

NET ASSETS

Net Assets - Beginning of Year		80,874,304
Restatement Adjustment		<u>-</u>
Net Assets - End of Year		<u>\$ 93,329,316</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COASTAL CAROLINA UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM	
Students Tuition and Fees	\$ 65,843,270
Governmental Scholarships and Contracts	16,358,791
Perkins Loan Repayments	246,242
Stafford and Parent Loans on Behalf of Students	30,700,594
Stafford and Parent Loans Paid to Students or Applied to Student Accounts	(30,624,909)
CCU Student Housing Foundation	5,506,105
Other Organizations	47,795
Sales and Commissions of Auxiliary Enterprises	
Residence Halls and Food Service	6,538,636
Bookstore	540,436
Vending	391,907
Scholarship Allowance	(1,550,487)
Golf Course	1,036,355
Other Receipts	2,222,328
CASH PAID FOR	
Suppliers	(26,536,614)
Employees and Fringe Benefit Providers	(64,633,384)
Scholarship Payments to Students	(6,556,671)
Perkins Loans Advanced to Students	(268,202)
CCU Student Housing Foundation	(5,155,277)
Scholarships Applied on Behalf of Other Organizations	(60,205)
Net Cash Used by Operating Activities	<u>(5,953,290)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	17,671,977
Local Appropriations	308,670
State Grants	17,234
Gifts	2,525,354
Net Cash Provided by Noncapital Financing Activities	<u>20,523,235</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Proceeds from Sale of Fixed Assets	4,082
County Capital Appropriations	145,000
Capital Gifts	855,551
Purchases of Capital Assets	(4,436,360)
Principal Paid on Capital Debt and Lease	(1,701,354)
Interest Paid on Capital Debt and Lease	(1,647,266)
Net Cash Used by Capital and Related Financing Activities	<u>(6,780,347)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Deposits	1,547,799
Net Cash Provided by Investing Activities	<u>1,547,799</u>
Increase in Cash and Cash Equivalents	9,337,397
Cash and Cash Equivalents - Beginning of Year	40,765,742
Cash and Cash Equivalents - End of Year	<u>\$ 50,103,139</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COASTAL CAROLINA UNIVERSITY
Statement of Cash Flows, Continued
For the Year Ended June 30, 2008

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

Operating Loss	\$ (8,830,488)
Operating Expenses Covered by In-Kind Donation	246,733
Bad Debt Expense	148,181
Depreciation Expense	3,703,908
Change in Current Assets and Liabilities:	
Accounts and Loans Receivable	(95,891)
Grants and Contracts Receivable	(719,948)
Inventories	9,596
Prepaid Expenses	(51,487)
Unearned Revenue	(524,122)
Accounts and Retainage Payable	252,958
Funds Held for Others	(181,768)
Accrued Compensated Absences	(13,678)
Accrued Payroll and Related Liabilities	102,716
Net Cash Used by Operating Activities	\$ (5,953,290)

Supplemental Disclosure:

Non-Cash Transactions:

Donated Supplies and Services	\$ 296,354
Disposal of Equipment, Intangible Assets, and Vehicles	(49,621)
	\$ 246,733

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COASTAL CAROLINA UNIVERSITY
COMPONENT UNIT
COASTAL EDUCATIONAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

Assets	
Cash and Cash Equivalents	\$ 84,363
Cash Reserved for Long-Term Investment	571,434
Accounts and Pledges Receivable, Net of Allowance (\$222,300 (2008) and \$198,723 (2007), respectively)	4,628,693
Investments	18,532,495
Real Estate Held for Investment	1,946,360
Property Held for Sale	115,000
Cash Value of Life Insurance	34,209
Net Property and Equipment	<u>3,649,769</u>
Total Assets	<u><u>29,562,323</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts Payable	\$ 112,246
Accrued Expenses	8,254
Notes Payable	<u>526,366</u>
Total Liabilities	<u>646,866</u>
Net Assets	
Unrestricted	5,406,972
Temporarily Restricted	12,833,259
Permanently Restricted	<u>10,665,226</u>
Total Net Assets	<u>28,905,457</u>
Total Liabilities and Net Assets	<u><u>\$ 29,552,323</u></u>

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

COASTAL CAROLINA UNIVERSITY
COMPONENT UNIT
COASTAL EDUCATIONAL FOUNDATION
STATEMENT OF ACTIVITY AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:				
Contributions	\$ 452,340	2,070,082	1,017,611	3,540,033
Endowed and Other Investment Income				
Interest Income	21,500	-	-	21,500
Realized Investment Income	403,724	42,804	-	446,528
Net Depreciation in Fair Value of Investments	(762,045)	(151,537)	-	(913,582)
Change in Cash Value of Life Insurance	(5,058)	11,374	1,460	7,776
Split Interest Annuity Change	-	(826)	-	(826)
Lease Income	365,631	-	-	365,631
Royalty Income	-	21,344	-	21,344
Miscellaneous Income	638	8,869	-	9,507
Net Assets Released From Restrictions	1,280,956	(1,280,956)	-	-
Total Revenues, Gains and Other Support	<u>1,757,686</u>	<u>721,154</u>	<u>1,019,071</u>	<u>3,497,911</u>
Expenses:				
Program Services				
Scholarships	\$ 193,240	-	-	193,240
University Support	259,718	-	-	259,718
Facilities Development & Physical Plant	712,431	-	-	712,431
College of Education	35,683	-	-	35,683
College of Humanities	112,931	-	-	112,931
College of Science	35,984	-	-	35,984
College of Business	607,207	-	-	607,207
General and Administrative	477,434	-	-	477,434
Fundraising Expenses	62,349	-	-	62,349
Total Expenses	<u>2,496,977</u>	<u>-</u>	<u>-</u>	<u>2,496,977</u>
Increase in Net Assets	(739,291)	721,154	1,019,071	1,000,934
Net Assets, Beginning of Year	<u>6,219,635</u>	<u>12,018,709</u>	<u>9,666,179</u>	<u>27,904,523</u>
Transfer	(73,372)	93,396	(20,024)	-
Net Assets, End of Year	<u>\$ 5,406,972</u>	<u>12,833,259</u>	<u>10,665,226</u>	<u>28,905,457</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COASTAL CAROLINA UNIVERSITY
COMPONENT UNIT
COASTAL STUDENT HOUSING FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

Assets	
Cash and Cash Equivalents	\$ 3,155,873
Cash and Cash Equivalents - Restricted	3,595,148
Rents Receivable	47,541
Property and Equipment - Net	27,721,628
Bond Issuance Costs - Net	756,842
Other Assets	<u>32,872</u>
Total Current Assets	<u><u>35,309,904</u></u>
Liabilities and Net Assets (Deficit)	
Liabilities:	
Accounts Payable	\$ 69,906
Due to Coastal Carolina University	243,250
Accrued Interest	433,172
Mortgage Payable	3,277,566
Bonds Payable	37,310,000
Deferred Revenue	<u>46,137</u>
Total Liabilities	<u><u>41,380,031</u></u>
Net Assets (Deficit):	
Unrestricted Deficit	<u>(6,070,127)</u>
Total Net Assets (Deficit)	<u><u>(6,070,127)</u></u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 35,309,904</u></u>

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

COASTAL CAROLINA UNIVERSITY
COMPONENT UNIT
COASTAL STUDENT HOUSING FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITY AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Total
Unrestricted Revenues, Gains and Other Support:	
Housing Fees	\$ 5,159,653
Lease Income	36,000
Donated Office Rental	9,088
Investment Income	211,125
Vending Commissions	8,918
Total Unrestricted Revenues, Gains and Other Support	5,424,784
Expenses:	
Student Housing	\$ 1,815,208
Support of Coastal Carolina University	742,381
Management and General	304,038
Interest and Financing Fees	1,915,522
Donated Office Rental	9,088
Amortization	27,775
Depreciation	1,065,074
Total Expenses	5,879,086
Change in Unrestricted Deficit	(454,302)
Unrestricted Deficit, Beginning of Year, as Restated	(5,615,825)
	-
Unrestricted Deficit, End of Year	\$ (6,070,127)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Coastal Carolina University is a public, mid-sized (8,500 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 CEF'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, 2008

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 for 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 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. 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, 2008

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 10 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, 2008

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, 2008

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 \$44,288 at June 30, 2008.

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 – CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS

All deposits of the University are under the control of the State Treasurer, who by State law has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 30,190,227
Cash and Cash Equivalents - Restricted	
Debt Service	3,758,128
Capital Project	15,990,049
Other	64,735
Cash and Cash Equivalents - Endowment	100,000
Total	<u>\$ 50,103,139</u>
DEPOSITS	
Cash on Hand	\$ 4,833,811
Deposits Held by State Treasurer	45,269,328
Total	<u>\$ 50,103,139</u>

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 2 – CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS, Continued

Cash on Hand

At June 30, 2008, Coastal Carolina University had approximately \$64,735 in accounts with a Financial Institution and the State Treasurer for exclusive use by the Perkins Loan Program.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2008, Coastal Carolina University had \$46,662,561 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

NOTE 3 – RESTRICTED ASSETS

The purposes and amounts of University restricted assets at June 30, 2008 are as follows:

CURRENT	
Cash and Cash Equivalents	
Satisfaction of Debt Covenants	\$ 3,758,128
Capital Projects	15,990,049
Total Restricted Current Assets	<u>19,748,177</u>
NON-CURRENT	
Cash and Cash Equivalents	
Federal Perkins Loan Program	64,735
Endowments	100,000
Loans to Students	1,393,233
Total Restricted Non-Current Assets	<u>1,557,968</u>
Total Restricted Assets	<u>\$ 21,306,145</u>

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 4 – ACCOUNTS RECEIVABLE

University current and non-current receivables for June 30, 2008 are as follows:

CURRENT ACCOUNTS RECEIVABLE	
Student Accounts Receivable	\$ 1,050,070
Less Allowance for Uncollectible	<u>(207,996)</u>
Student Accounts Receivable, Net	842,074
Third Party Receivables	108,580
Federal Grants and Contracts Receivable	763,341
State Grants and Contracts Receivable	71,324
Non-Governmental Grants and Contracts Receivable	278,881
Chanticleer Club Receivable	212,128
Accrued Interest and Endowment Income Receivable	248,519
Gifts Receivable	388,805
Less Allowance for Uncollectible Gifts	<u>(370,300)</u>
Gifts Receivable, Net	18,505
Other Receivables	<u>989,004</u>
Net Total Current Receivables	<u><u>3,532,356</u></u>
 NON-CURRENT ACCOUNTS RECEIVABLE	
Loans to Students	1,439,307
Less Allowance for Uncollectibles	<u>(46,074)</u>
Net Loans to Students	<u><u>\$ 1,393,233</u></u>

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 AND FEDERAL LIABILITY

Student loans made through the Federal Perkins Loan Program of the University comprise all of the loans receivable as of June 30, 2008. The Perkins Loan program provides various repayment options; students have the right to repay the loan 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, 2008, the allowance for uncollectible student loans is valued at \$46,074. The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$1,457,679, representing the Federal portion of the loan program at June 30, 2008.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the University for the year ended June 30, 2008 is summarized as follows:

	Beginning Balance July 1, 2007	Additions	Retirements	Transfers	Ending Balance June 30, 2008
Capital Assets Not Being Depreciated:					
Land	\$ 194,393	736,311	-	-	930,704
Construction in Progress	858,384	1,210,553	-	(431,602)	1,637,335
Total Capital Assets Not Being Depreciated	<u>1,052,777</u>	<u>1,946,864</u>	<u>-</u>	<u>(431,602)</u>	<u>2,568,039</u>
Capital Assets Being Depreciated:					
Land Improvements	3,518,313	554,572	-	416,645	4,489,530
Buildings and Improvements	108,020,511	534,432	(102,895)	14,957	108,467,005
Equipment	5,961,245	1,064,831	(219,337)	-	6,806,739
Intangible Assets	359,959	-	(86,182)	-	273,777
Vehicles	908,336	335,661	(23,250)	-	1,220,747
Total Other Capital Assets at Historical Cost	<u>118,768,364</u>	<u>2,489,496</u>	<u>(431,664)</u>	<u>431,602</u>	<u>121,257,798</u>
Less Accumulated Depreciation For:					
Land Improvements	(1,163,016)	(272,471)	-	-	(1,435,487)
Buildings and Improvements	(24,741,990)	(2,535,424)	102,895	-	(27,174,519)
Equipment	(3,124,483)	(739,389)	193,726	-	(3,670,146)
Intangible Assets	(341,139)	-	67,362	-	(273,777)
Vehicles	(486,922)	(156,624)	18,060	-	(625,486)
Total Accumulated Depreciation	<u>(29,857,550)</u>	<u>(3,703,908)</u>	<u>382,043</u>	<u>-</u>	<u>(33,179,415)</u>
Capital Assets Being Depreciated, Net	<u>88,910,814</u>	<u>(1,214,412)</u>	<u>(49,621)</u>	<u>431,602</u>	<u>88,078,383</u>
Capital Assets, Net	<u>\$ 89,963,591</u>	<u>732,452</u>	<u>(49,621)</u>	<u>-</u>	<u>90,646,422</u>

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, 2008, the University had no construction interest to capitalize.

Construction in Progress

Coastal Carolina University currently has several construction projects taking place that are not yet complete as of June 30, 2008. Costs of these projects, while they are underway, are capitalized and recorded as "Construction in Progress". When these projects are completed they will be reclassified and depreciated. The two largest "construction in progress" projects and their associated costs to date are the Athletic Training Facility with \$1,495,019 in costs and the Environmental Quality Lab renovation project with \$73,559 in costs. Other smaller projects underway and not yet completed include, but are not limited to the Watson Stadium batting cage project with \$21,141 in costs and the Science Building renovations project with \$15,760 in costs.

Band Practice Facility and Land Acquisition

The University obtained a band practice facility as well as the 4.3 acres of land on which it sits, as part of a \$600,000 donation plus \$515,500 of University funding. Fair market values for the land and the band practice facility are \$736,311 and \$379,189, respectively.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 6 - CAPITAL ASSETS, Continued

Adjustment to Intangible Assets

The Intangible asset balance was adjusted for assets which did not meet the threshold criteria of \$100,000. The net result was to decrease the assets net total by \$18,820. The impact to the Statement of Revenues, Expenses, and Changes in Net Assets was to increase expenses by \$18,820.

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, 2008 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 \$661,219, grant and contract funds of \$1,558,507, housing prepayments of \$160,915 student housing foundation \$49,893, advance football ticket sales and athletic advertising fees of \$86,862, and auxiliary gift certificates of \$3,061.

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 \$1,049,483 for the year ended June 30, 2008. Future minimum lease payments under terms of these leases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2009	978,612
2010	475,745
2011	121,951
2012	36,735
2013	1
Total	<u>\$ 1,613,044</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 the fiscal year ending June 30, 2008 were \$132,284. 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 \$246,586.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 9 – LEASE OBLIGATIONS, Continued

Capital Leases

The University has entered into one capital lease in order to finance the acquisition of various pieces of equipment. This year's lease payment is \$104,509 plus \$7,460 of interest at 3.089%. The lease is payable in annual installments through fiscal year 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. These leased assets cost \$700,000 and have accumulated depreciation of \$253,720 leaving a carrying value at June 30, 2008 of \$446,280.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

Year Ending June 30	Capital Lease Payment
2009	111,969
2010	111,969
2011	55,983
2012	-
2013	-
Total Minimum Lease Payments	279,921
Less: Interest	(12,517)
Present Value of Minimum Lease Payments	\$ 267,404

NOTE 10 – BONDS PAYABLE

For the University, bonds payable consisted of the following at June 30, 2008:

	Balance at Inception	Interest Rates	Maturity Dates	June 30, 2008
Revenue Bonds				
Series 1999S	\$ 24,545,000	4.875% to 5.3%	6/1/2026	7,600,000
Series 2004 Refunded	13,895,000	4.09%	6/1/2018	2,985,000
Series 2006 Refunded	13,175,000	3.75% to 4.25%	6/1/2026	12,790,000
Total Revenue Bonds				23,375,000
State Institution				
General Obligation 2002	8,750,000	3.25% to 4.625%	9/1/2022	7,320,000
General Obligation 2006	11,300,000	4.25% to 6.00%	10/1/2026	10,985,000
Total State Institution Bonds				18,305,000
Total Bonds Payable				41,680,000

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.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 10 – BONDS PAYABLE, Continued

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 \$525 per full time in-state student, \$525 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 \$2,020,067 which results in a legal annual debt service of June 30, 2008 of \$1,818,060.

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Revenue Bonds			
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	1,200,000	846,426	2,046,426
2014-2018	6,815,000	3,410,993	10,225,993
2019-2023	6,430,000	1,964,525	8,394,525
2024-2026	4,600,000	432,710	5,032,710
	<u>\$ 23,375,000</u>	<u>10,507,672</u>	<u>33,882,672</u>

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds			
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	760,000	642,101	1,402,101
2014-2018	4,285,000	2,694,269	6,979,269
2019-2023	5,305,000	1,695,313	7,000,313
2024-2026	5,200,000	453,994	5,653,994
	<u>\$ 18,305,000</u>	<u>8,393,044</u>	<u>26,698,044</u>

Defeased Debt

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, 2008, \$12,240,000 of bonds outstanding are considered defeased.

COASTAL CAROLINA UNIVERSITY
Notes to Financial Statements
June 30, 2008

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the University for the year ended June 30, 2008 was as follows:

	June 30, 2007	Addition	Reductions	June 30, 2008	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 18,935,000	-	630,000	18,305,000	650,000
Revenue Bonds	24,345,000	-	970,000	23,375,000	1,010,000
Total Bonds Payable	43,280,000	-	1,600,000	41,680,000	1,660,000
Capital Lease Obligations	368,758	-	101,354	267,404	104,509
Federal Loan Program Liability	1,471,357	-	13,678	1,457,679	-
Accrued Compensated Absences	2,439,639	320,135	12,369	2,747,405	374,300
Total Other Liabilities	4,279,754	320,135	127,401	4,472,488	478,809
Total Long-Term Liabilities	\$ 47,559,754	320,135	1,727,401	46,152,488	2,138,809

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, 2008 are summarized as follows:

	Personnel Costs and Benefits	Services and Supplies	Natural Classification			Total
			Utilities	Scholarships	Depreciation	
Instruction	\$ 32,660,414	4,761,332	74,481	-	-	\$37,496,227
Research	855,226	504,494	5,931	-	-	1,365,651
Public Service	866,088	529,385	2,703	-	-	1,398,176
Academic Support	4,832,973	1,414,628	13,173	-	-	6,260,774
Student Services	10,060,238	6,474,762	101,251	-	-	16,636,251
Institutional Support	7,283,176	2,468,761	175,300	-	-	9,927,237
Plant Operation	7,016,256	4,015,873	2,401,243	-	-	13,433,372
Scholarships	250,934	-	-	6,556,671	-	6,807,605
Auxiliary Enterprises	1,218,561	2,981,738	743,622	-	-	4,943,921
Depreciation	-	-	-	-	3,703,908	3,703,908
Total Expenses	\$ 65,043,866	23,150,973	3,517,704	6,556,671	3,703,908	101,973,122

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. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 13 – PENSION PLANS, Continued

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.

Employees participating in the SCRS are required to contribute 6.50 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 12.48 percent, which included a 3.42 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, 2008, 2007, and 2006, were \$3,497,834, \$2,990,128, and \$2,760,861, respectively, and equaled the required contributions (including the required surcharge) for each year. Also, Coastal Carolina University paid employer group-life insurance contributions of \$50,840, 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, 2007, the employer contribution rate became 13.72 percent, which, as for the SCRS, included the 3.42 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2008, 2007, and 2006 were \$121,684, \$106,376, and \$79,339, respectively, and equaled the required contributions (including the required surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$1,774 and accidental death insurance contributions of \$1,774 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.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 13 – PENSION PLANS, Continued

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.06 percent plus the retiree surcharge of 3.42 percent from the employer in fiscal year 2008.

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 \$1,912,599 (including the surcharge) from the University as employer and \$1,090,517 from its employees as plan members. 7.63 percent of all contributions were remitted to the Retirement Division of the State Budget and Control Board, 11.50 percent of all contributions were remitted directly to the respective annuity policy providers, and .15 percent of all contributions were remitted for group-life insurance. The obligation for payment of benefits resides with the insurance companies.

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 Appropriations Act, the State of South Carolina provides post-employment health, dental, and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

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

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.42% and 3.35% of annual covered payroll for 2008 and 2007, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$1,562,653 and \$3,486,198 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2008 and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2008 and 2007.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

Coastal Carolina University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$3,218,358 for the year ended June 30, 2008. 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.

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, 2008, include significant transactions between them and the University which are as follows:

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 15 – RELATED PARTIES, Continued

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, 2008, the Commission made grants to Coastal Carolina University totaling \$268,000 none of which was receivable at year end. Of the total, \$98,000 was for scholarships and \$170,000 was for public service, academic enhancement, and staff development projects. 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 2008 was \$2, 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, 2008, the Commission had assets of \$4,679,888.

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, 2008, the University received \$75,000 in revenue from the Advisory Board. Expenditures made on behalf of the University for scholarships and the development of facilities in Georgetown County were approximately \$68,273.

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, 2008, the Club donated \$431,896 to University athletics programs, of which, \$212,128 was receivable at year end. The Club receives and pays for management and accounting services from the University. At June 30, 2008, the Club had net assets of \$1,004,141.

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 2008 are not readily available. At June 30, 2008, accounts receivable included \$71,324 due from other State agencies primarily for Federal and State sponsored projects, and accounts payable included \$21,696 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 \$585,586 for related costs incurred. HGTC also contracts with the University to provide security services to each of their campus. HGTC paid the University \$346,716 in the current year for these services.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 15 – RELATED PARTIES, Continued

Transactions with Related Party Vendors: The University has identified 13 potential related party vendors with whom they have transacted business, during fiscal year ending June 30, 2008. These vendors and the total related transaction amounts are listed below:

**Related Party Vendor Transactions
FYE June 30, 2008**

Vendor	Amounts
Conway Chrysler Plymouth Dodge Inc.	\$ 21,990
Palmetto Chevrolet Geo	15,039
Litchfield Books	2,780
S & R Turf Equipment, LLC	42,402
Alternatives News Magazine, Inc	595
Atlas Travel Agency	118,878
T & W Lawn Care & Landscaping	2,400
The Lowcountry Companion	967
Edna L. Yusi	2,790
Coastal Direct LLC	11,104
Grand Strand Tee Time Network	17,864
ET Signs and Graphics, LLC	1,575
Hyman Vineyards	1,027
Total	\$ 239,411

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, 2008

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 2008 were recorded by the University as non-operating gift revenues totaling \$1,078,266. The CEF also made capital gifts to the University totaling \$644,360 which were recorded as capital grants in the Statement of Revenues, Expenditures and Changes in Net Assets. Of these amounts, \$105,273 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 \$834,569 in expenses were incurred directly by the CEF for various services, including \$661,565 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 \$377,396. (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, 2008, the carrying value of this property was \$3,921,918, net of \$272,149 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 \$11,685 in fiscal year 2008 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, 2008 follows:

<u>Commonfund Investments</u>	
Multi-Strategy Equity Funds	\$ 11,292,351
Multi-Strategy Bond Funds	7,037,742
Total Privately Managed Funds	<u>18,330,093</u>
Public Traded Securities	1,245
Total Privately Managed Funds	<u>1,245</u>
<u>Closely Held Investments</u>	
Common Stock	190,000
Partnership Interest	11,156
Total Closely Held Investments	<u>201,156</u>
Total Investments	<u>\$ 18,532,494</u>

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 17 – COMPONENT UNITS, Continued

During the year ended June 30, 2008, two University Board of Trustees members also served as members of the Coastal Educational Foundation Board. One additional University Board member serves as an ex-officio member of the Coastal Educational Foundation Board.

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 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, 2008, the Foundation's carrying value of the University Place housing complex was \$24,211,310 net of \$4,285,487 accumulated depreciation. The Company's carrying value of University Place furnishings was \$255,078, net of \$2,223,736 accumulated depreciation. The carrying value of the Foundation's land and buildings on expansion property was \$3,255,240, net of \$44,760 accumulated depreciation.

The Foundation and the Company owe debt in the amount of \$40,587,566 at June 30, 2008, of which \$37,310,000 is the Company's liability on its leasehold investment in University Place and \$3,277,566 of which is a mortgage on future expansion property, located contiguous to campus. 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 2008, the Foundation paid interest of \$164,569 on the \$3,277,566 remaining short-term mortgage on property and received \$36,000 in rent from the University.

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.

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 University collects rent for University Place 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 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, 2008. The Student Housing Foundation owes \$25,836 to the University to restore the allowance for doubtful accounts to this sufficient balance. In addition the Foundation owes \$4,187 to the University for miscellaneous invoices. The University in turn collects fees from students for lost keys, room damages, late checkouts, etc., and forwards these funds to the Student Housing Foundation. At June 30, 2008, the University owed the Foundation \$43,937 for such fees.

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 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, 2008, the Company paid the University \$104,665 to provide technology services to residents of University Place.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 17 – COMPONENT UNITS, Continued

During the fiscal year, the Foundation used administrative office space rented by the Coastal Educational Foundation and sub-leased by the University at no charge. The value of this space is \$9,088. The University also provided services to the Foundation in support of the operation of University Place, including shuttle bus, security and alarm monitoring, and billing and collections services in the amount of \$248,115. During the year, the University also provided meal stipends for residence hall advisors who are assigned to the Foundation's apartments.

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 \$13,611 during fiscal 2008. The amount paid for the club membership was \$6,108. The Foundation also provided a \$24,000 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. The amount of supplement payments to the President in the current fiscal year were \$50,000.

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.

Two members of the Foundation Board also serve concurrently as University Board members, one serving as Chairman 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. The Foundation also 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 were ongoing between the University and the Foundation in the crafting of an amended support agreement relative to this during fiscal year 2007. The potential sale did not take and any further sale discussions have been halted.

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.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2008

NOTE 19 – COMMITMENTS

The University is working with the State to purchase ten acres of land close to the University from the Department of Natural Resources. The purchase will cost the University \$1.12 million.

Currently A-1 forms requesting the authority to pursue design of various projects have been completed and approved totaling project costs of approximately \$54 million. These projects include general infrastructure improvements, a 24/7 information commons addition onto the library, a one stop shop for admissions, financial aid and the registrars office, a science building expansion and a renovation and expansion to the student recreation building. The University anticipates requesting the issuance of general obligation bonds to fund these projects.

Athletic Field House Project

The Coastal Educational Foundation has agreed to provide \$2,850,000 to facilitate construction of an athletic field house adjacent to the University's football field. As part of its commitment, the Coastal Educational Foundation is planning to issue tax exempt bonds if necessary 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 Coastal Educational Foundation had \$852,972 cash and \$2,504,514 pledges for this purpose at June 30, 2008. Construction is anticipated to begin in January 2009.

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, 2008

	Year Ended June 30,		Increase (Decrease)
	2008	2007	
Charges for Services	\$ 93,142,634	84,993,254	8,149,380
Operating Grants and Contributions	4,310,738	2,968,893	1,341,845
Capital Grants and Contributions	978,356	649,901	328,455
Less Expenses	<u>(103,665,927)</u>	<u>(95,049,759)</u>	<u>(8,616,168)</u>
Net Program Revenue (Expense)	<u>(5,234,199)</u>	<u>(6,437,711)</u>	<u>1,203,512</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	17,671,977	16,171,875	1,500,102
Research Infrastructure Bond Proceeds	-	168,307	(168,307)
Other Transfers in from State Agencies	<u>17,234</u>	<u>15,844</u>	<u>1,390</u>
Total General Revenue and Transfers	<u>17,689,211</u>	<u>16,356,026</u>	<u>1,333,185</u>
Change in Net Assets	12,455,012	9,918,315	2,536,697
Net Assets - Beginning	<u>80,874,304</u>	<u>71,155,610</u>	<u>9,718,694</u>
Restatement Adjustments	-	(199,621)	199,621
Net Assets - Beginning of Year, Restated	<u>80,874,304</u>	<u>70,955,989</u>	<u>9,918,315</u>
Net Assets - Ending	<u><u>\$ 93,329,316</u></u>	<u><u>80,874,304</u></u>	<u><u>12,455,012</u></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, 2008

Following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 5F of Part IA of the 2007 and 2008 Appropriation Act enacted by the South Carolina General Assembly to State Appropriations revenue reported in the financial statements for the year ended June 30, 2008.

Non-Capital Appropriations

Original Appropriation	\$ 15,667,571
Technology Grant Program	857,495
Supplemental Appropriations	691,551
State Budget and Control Board Allocations for Employee Base Pay Increases and Related Employee Benefits	449,193
South Carolina Endowment Incentive Act of 1997	<u>6,167</u>
Total Appropriation Revenue Reported in the Financial Statements	<u><u>\$ 17,671,977</u></u>

COASTAL CAROLINA UNIVERSITY

Schedule of Tuition Fees For the Year Ended June 30, 2008

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, 2008 is as follows:

Amount of Tuition Fees as Defined by Code Section 59-107-30 for the Fiscal Year Ended June 30, 2007	<u>\$ 2,020,067</u>
Legal Annual Debt Service Limit at June 30, 2008	<u>\$ 1,818,060</u>

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION



E. Craig Wall Sr. College of Business Administration Building

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 – 2008

	For the year ended June 30						
	2008	2007	2006	2005	2004	2003	2002
Net Assets							
Invested in capital assets, net of debt	\$ 57,318,311	\$ 46,314,833	\$ 57,050,243	\$ 54,822,552	\$ 53,844,656	\$ 48,759,779	\$ 49,347,474
Restricted - non-expendable	100,000	100,000	97,953	102,626	102,934	103,546	101,260
Restricted - expendable	19,439,071	15,203,375	3,119,736	637,981	1,238,953	5,282,000	42,477
Unrestricted	16,471,934	18,843,171	10,887,678	9,031,159	5,969,709	4,396,078	5,608,593
Total Net Assets	\$ 93,329,316	\$ 80,461,379	\$ 71,155,610	\$ 64,594,318	\$ 61,156,252	\$ 58,541,403	\$ 55,099,804

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

Schedule 2
Coastal Carolina University
Schedule of Major Revenue Sources
Fiscal Years 2002 – 2008

For the year ended June 30							
(dollars)							
	2008	2007	2006	2005	2004	2003	2002
Tuition, net of allowance	\$ 64,647,787	\$ 60,037,693	\$ 51,186,504	\$ 43,074,537	\$ 35,779,409	\$ 28,458,464	\$ 24,037,171
State grants to students	8,261,850	6,725,629	6,368,500	5,637,258	4,493,503	3,360,109	1,491,237
Federal grants to students	7,467,366	5,031,709	4,631,878	4,866,852	4,403,041	3,941,964	3,427,673
Other operating grants	1,948,524	2,578,763	2,643,014	2,104,181	2,736,269	2,412,206	2,276,642
Sales and services of educ activities	2,380,591	2,527,891	1,957,787	1,788,649	1,734,367	965,243	833,697
Auxiliary enterprises, net of allowance	7,193,288	7,018,449	6,538,216	5,305,441	5,149,927	4,670,935	4,734,807
Other fees	1,243,228	1,073,120	1,125,867	999,332	861,376	652,174	671,842
Total operating revenue	93,142,634	84,993,254	74,451,766	63,776,250	55,157,891	44,461,094	37,473,069
State appropriations	17,671,977	16,171,875	13,562,113	11,792,079	11,220,170	12,579,167	14,110,923
Local appropriations	233,670	315,079	338,539	214,889	218,067	243,480	312,160
Gifts	2,525,354	1,412,749	2,074,663	2,503,349	3,047,176	1,450,680	910,878
Investment income	1,551,714	1,256,909	425,808	402,465	92,668	903,026	286,067
Total non-operating revenue	21,982,715	19,156,612	16,401,123	14,912,782	14,578,081	15,176,353	15,620,028
Total non-capital revenue	\$ 115,125,349	\$ 104,149,866	\$ 90,852,889	\$ 78,689,032	\$ 69,735,972	\$ 59,637,447	\$ 53,093,097
(percentages of total)							
Tuition, net of allowance	56.2%	57.6%	56.3%	54.7%	51.3%	47.7%	45.3%
State grants to students	7.2%	6.5%	7.0%	7.2%	6.4%	5.6%	2.8%
Federal grants to students	6.5%	4.8%	5.1%	6.2%	6.3%	6.6%	6.5%
Other operating grants	1.7%	2.5%	2.9%	2.7%	3.9%	4.0%	4.3%
Sales and services of educ activities	2.1%	2.4%	2.2%	2.3%	2.5%	1.6%	1.6%
Auxiliary enterprises, net of allowance	6.2%	6.7%	7.2%	6.7%	7.4%	7.8%	8.9%
Other fees	1.1%	1.0%	1.2%	1.3%	1.2%	1.1%	1.3%
Total operating revenue	80.9%	81.6%	81.9%	81.0%	79.1%	74.6%	70.6%
State appropriations	15.4%	15.5%	14.9%	15.0%	16.1%	21.1%	26.6%
Local appropriations	0.2%	0.3%	0.4%	0.3%	0.3%	0.4%	0.6%
Gifts	2.2%	1.4%	2.3%	3.2%	4.4%	2.4%	1.7%
Investment income	1.3%	1.2%	0.5%	0.5%	0.1%	1.5%	0.5%
Total non-operating revenue	19.1%	18.4%	18.1%	19.0%	20.9%	25.4%	29.4%
Total non-capital revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

Schedule 3
Coastal Carolina University
Schedule of Expenses by Function
Fiscal Years 2002 – 2008

For the year ended June 30
(dollars)

	2008	2007	2006	2005	2004	2003	2002
Instruction	\$ 37,496,227	\$ 33,749,600	\$ 30,302,652	\$ 27,433,692	\$ 25,798,618	\$ 22,786,032	\$ 19,780,013
Research	1,365,651	991,703	1,130,243	689,398	966,347	743,184	757,827
Public Service	1,398,176	1,530,716	1,402,660	1,188,870	1,533,278	1,290,221	1,284,841
Academic Support	6,260,774	5,544,497	5,444,440	5,193,271	4,485,906	4,032,686	3,833,185
Student Services	16,636,251	13,718,946	12,499,087	10,836,863	9,341,425	8,053,622	6,499,506
Institutional Support	9,927,237	8,847,425	8,180,490	7,383,968	6,374,436	5,645,194	4,806,304
Plant Operation	13,433,372	14,476,310	12,700,415	9,488,335	7,330,871	6,266,252	5,317,545
Scholarships	6,807,605	6,220,738	5,555,772	5,639,316	5,001,247	4,630,717	3,229,858
Auxiliary Enterprises	4,943,921	5,374,426	4,384,077	3,336,934	3,509,497	2,695,134	2,398,956
Depreciation	3,703,908	3,267,991	3,190,958	2,922,724	2,768,983	2,318,304	2,176,237
Total operating expenses	101,973,122	93,722,352	84,790,794	74,113,371	67,110,608	58,461,346	50,084,272
Interest on capital debt	1,647,266	1,740,332	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453
Total non-operating expenses	1,647,266	1,740,332	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453
Total expenses	\$ 103,620,388	\$ 95,462,684	\$ 86,418,258	\$ 75,804,097	\$ 68,994,299	\$ 60,227,632	\$ 51,847,725

(percentages of total)

Instruction	36.2%	35.4%	35.1%	36.2%	37.4%	37.8%	38.2%
Research	1.3%	1.0%	1.3%	0.9%	1.4%	1.2%	1.5%
Public Service	1.3%	1.6%	1.6%	1.6%	2.2%	2.1%	2.5%
Academic Support	6.0%	5.8%	6.3%	6.9%	6.5%	6.7%	7.4%
Student Services	16.1%	14.4%	14.5%	14.3%	13.5%	13.4%	12.5%
Institutional Support	9.6%	9.3%	9.5%	9.7%	9.2%	9.4%	9.3%
Plant Operation	13.0%	15.2%	14.7%	12.5%	10.6%	10.4%	10.3%
Scholarships	6.6%	6.5%	6.4%	7.4%	7.2%	7.7%	6.2%
Auxiliary Enterprises	4.8%	5.6%	5.1%	4.4%	5.1%	4.5%	4.6%
Depreciation	3.6%	3.4%	3.7%	3.9%	4.0%	3.8%	4.2%
Total operating expenses	98.4%	98.2%	98.1%	97.8%	97.3%	97.1%	96.6%
Interest on capital debt	1.6%	1.8%	1.9%	2.2%	2.7%	2.9%	3.4%
Total non-operating expenses	1.6%	1.8%	1.9%	2.2%	2.7%	2.9%	3.4%
Total expenses	100.0%						

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are reported.

Schedule 4
Coastal Carolina University
Schedule of Expenses by Use
Fiscal Years 2002 – 2008

For the year ended June 30
(dollars)

	2008	2007	2006	2005	2004	2003	2002
Personnel costs and benefits	\$ 65,043,866	\$ 57,926,829	\$ 52,396,576	\$ 46,868,903	\$ 42,104,080	\$ 37,919,803	\$ 33,697,871
Services and supplies	23,150,973	23,272,146	20,422,732	16,433,595	15,184,331	11,750,783	9,472,102
Utilities	3,517,704	3,280,450	3,447,960	2,562,796	2,300,106	2,095,677	1,762,842
Scholarships	6,556,671	5,974,936	5,332,568	5,325,354	4,753,108	4,376,779	2,975,220
Depreciation	3,703,908	3,267,991	3,190,958	2,922,723	2,768,983	2,318,304	2,176,237
Total operating expenses	101,973,122	93,722,352	84,790,794	74,113,371	67,110,608	58,461,346	50,084,272
Interest on capital asset debt	1,647,266	1,740,332	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453
Total non-operating expenses	1,647,266	1,740,332	1,627,464	1,690,726	1,883,691	1,766,286	1,763,453
Total expenses	\$ 103,620,388	\$ 95,462,684	\$ 86,418,258	\$ 75,804,097	\$ 68,994,299	\$ 60,227,632	\$ 51,847,725

(percentages of total)

Personnel costs and benefits	62.8%	60.7%	60.6%	61.8%	61.0%	63.0%	65.0%
Services and supplies	22.3%	24.4%	23.6%	21.7%	22.0%	19.5%	18.3%
Utilities	3.4%	3.4%	4.0%	3.4%	3.3%	3.5%	3.4%
Scholarships	6.3%	6.3%	6.2%	7.0%	6.9%	7.3%	5.7%
Depreciation	3.6%	3.4%	3.7%	3.9%	4.0%	3.8%	4.2%
Total operating expenses	98.4%	98.2%	98.1%	97.8%	97.3%	97.1%	96.6%
Interest on capital asset debt	1.6%	1.8%	1.9%	2.2%	2.7%	2.9%	3.4%
Total non-operating expenses	1.6%	1.8%	1.9%	2.2%	2.7%	2.9%	3.4%
Total expenses	100.0%						

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.

Schedule 5
Coastal Carolina University
Schedule of Other Changes in Net Assets
Fiscal Years 2002 – 2008

	For the year ended June 30						
	2008	2007	2006	2005	2004	2003	2002
Income before other changes in net assets	\$11,522,195	\$ 8,687,182	\$ 4,434,631	\$ 2,884,935	\$ 741,673	\$ (590,185)	\$ 1,245,372
Capital appropriations	145,000	168,307	1,246,339	-	178,719	3,821,281	158,039
Capital grants and gifts	833,356	-	193,939	-	-	151,733	176,746
Gain (Loss) on disposal of assets	(45,539)	649,901	686,383	553,131	1,694,457	58,770	1,080,879
Total change in net assets	\$12,455,012	\$ 9,505,390	\$ 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 2002-2008 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										Ten Year Change
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	
ADMISSIONS - FRESHMEN											
Applications	6,618	6,218	5,427	5,041	4,527	3,603	3,094	2,533	2,420	2,473	168%
Applications accepted	4,524	4,238	4,016	3,661	3,208	2,580	2,296	1,813	1,753	1,944	133%
Accepted as a percentage of applications	68%	68%	74%	73%	71%	72%	74%	72%	72%	79%	
Students enrolled	1,652	1,474	1,498	1,323	1,272	1,078	941	792	766	877	88%
Students enrolled as a percentage of accepted	37%	35%	37%	36%	40%	42%	41%	44%	44%	45%	
SAT scores - total	1039	1047	1046	1041	1045	1044	1042	1026	1032	1004	3%
ENROLLMENT											
Headcount enrollment											
Undergraduate	7,070	6,660	6,397	6,020	5,610	5,058	4,771	4,405	4,370	4,428	60%
Graduate	732	1,389	1,041	1,001	1,170	922	194	248	245	128	472%
Full time equivalent enrollment											
Undergraduate	6,890	6,398	6,140	5,807	5,392	4,796	4,428	4,026	3,919	3,894	77%
Graduate	288	546	436	334	403	299	59	75	72	49	488%
Residency for Fee Payment Purposes*											
Undergraduate, State Residents	4,825	4,623	4,519	4,319	4,128	3,804	3,541	3,347	3,378	3,366	43%
Undergraduate, Out of State Residents	2,245	2,037	1,878	1,701	1,482	1,254	1,230	1,058	992	1,062	111%
Headcount Total by Fee Payment Purposes	7,070	6,660	6,397	6,020	5,610	5,058	4,771	4,405	4,370	4,428	60%
Percent of Undergraduates paying as Residents	68%	69%	71%	72%	74%	75%	74%	76%	77%	76%	
Percent of Undergraduates paying as Non-residents	32%	31%	29%	28%	26%	25%	26%	24%	23%	24%	
Required Tuition and Fees**											
Undergraduate, In State, Full Time	\$ 7,600	\$ 7,500	\$ 6,860	\$ 6,100	\$ 5,190	\$ 4,350	\$ 3,770	\$ 3,500	\$ 3,340	\$ 3,220	136%
Undergraduate, Out of State, Full Time	\$16,590	\$16,190	\$15,100	\$14,200	\$12,870	\$11,760	\$10,680	\$9,810	\$9,280	\$8,790	89%
Non-resident: Resident Fee Ratio	2.18	2.16	2.20	2.33	2.48	2.70	2.83	2.80	2.78	2.73	
DEGREES AWARDED											
Bachelor's	1004	921	887	768	801	690	657	619	636	527	91%
Master's	75	56	49	30	29	31	27	20	21	23	226%

* 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

Source: CCU Office of Institutional Research & Assessment

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

Academic Year Beginning in Fall

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	Ten Year Change
The Citadel	\$ 8,428	\$ 7,735	\$ 7,168	\$ 6,522	\$ 5,900	\$ 4,999	\$ 4,067	\$ 3,727	\$ 3,404	\$ 3,396	148.2%
Clemson University	10,378	9,870	9,400	8,816	7,816	6,934	5,834	5,090	3,590	3,470	199.1%
Coastal Carolina University	8,650	7,600	7,500	6,860	6,100	5,190	4,350	3,770	3,500	3,340	159.0%
College of Charleston	8,400	7,778	7,234	6,668	6,202	5,770	4,858	3,780	3,630	3,520	138.6%
Francis Marion University	7,632	7,038	6,512	5,984	5,540	5,082	4,340	3,790	3,600	3,350	127.8%
Lander University	8,380	7,728	7,162	6,588	5,866	5,400	4,704	4,152	3,888	3,700	126.5%
South Carolina State University	7,806	7,318	7,278	6,480	6,170	5,570	4,556	4,096	3,724	3,410	128.9%
University of South Carolina											
Columbia	8,838	8,346	7,808	7,314	6,416	5,778	4,984	4,064	3,868	3,740	136.3%
Aiken	7,532	7,006	6,670	6,156	5,622	5,065	4,404	3,738	3,558	3,318	127.0%
Beaufort	7,000	6,250	5,724	5,214	4,670	4,208	3,080	2,410	2,210	2,100	233.3%
Upstate	8,342	7,760	7,218	6,724	6,060	5,460	4,748	3,868	3,624	4,126	102.2%
Winthrop University	\$ 11,060	\$ 10,210	\$ 9,500	\$ 8,756	\$ 7,816	\$ 6,652	\$ 5,600	\$ 4,668	\$ 4,262	\$ 4,126	168.1%
Average	\$ 9,313	\$ 8,604	\$ 8,107	\$ 7,462	\$ 6,743	\$ 6,010	\$ 5,048	\$ 4,287	\$ 3,896	\$ 3,781	146.3%

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Bonded Debt										
General obligation bonds	\$ 18,305,000	\$18,935,000	\$ 7,935,000	\$ 8,220,000	\$ 8,490,000	\$ 8,750,000	\$ -	\$ 325,000	\$ 640,000	\$ 940,000
Total general bonded debt	<u>\$ 18,305,000</u>	<u>\$18,935,000</u>	<u>\$ 7,935,000</u>	<u>\$ 8,220,000</u>	<u>\$ 8,490,000</u>	<u>\$ 8,750,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 640,000</u>	<u>\$ 940,000</u>
Outstanding general bonded debt per full-time equivalent student	\$ 2,550	\$ 2,727	\$ 1,220	\$ 1,339	\$ 1,465	\$ 1,717	\$ -	\$ 79	\$ 160	\$ 238
Other Debt										
Revenue bonds	\$ 23,375,000	\$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
Capital lease obligations	\$ 267,404	\$ 368,758	\$ 467,052	\$ 562,379	\$ 834,930	\$ 216,978	\$ 251,074	\$ -	\$ -	\$ -
Total outstanding debt	<u>\$ 41,947,404</u>	<u>\$43,648,758</u>	<u>\$33,002,052</u>	<u>\$34,207,379</u>	<u>\$35,539,930</u>	<u>\$35,821,978</u>	<u>\$27,816,074</u>	<u>\$28,565,000</u>	<u>\$29,515,000</u>	<u>\$30,135,000</u>
Total outstanding debt per full-time equivalent student	\$ 5,844	\$ 6,286	\$ 5,073	\$ 5,570	\$ 6,133	\$ 7,031	\$ 6,199	\$ 6,965	\$ 7,395	\$ 7,643
Number of full time equivalent undergraduate and graduate students	7,178	6,944	6,505	6,141	5,795	5,095	4,487	4,101	3,991	3,943

Schedule 9
Coastal Carolina University
Schedule of Debt Service Coverage on Revenue Bonds
Fiscal Years 2002-2008

REVENUE BONDS	For the year ended June 30						
	2008	2007	2006	2005	2004	2003	2002
Revenues	\$70,857,695	\$ 70,209,074	\$ 59,884,941	\$ 50,441,023	\$ 44,878,156	\$ 35,566,512	\$ 30,940,831
Expenses	62,474,962	58,774,006	53,701,011	46,408,826	40,255,735	33,338,327	26,544,137
Net Revenues Available for Debt Service	\$8,382,733	\$ 11,435,068	\$ 6,183,930	\$ 4,032,197	\$ 4,622,421	\$ 2,228,185	\$ 4,396,694
Debt Service, Revenue Bonds	2,242,005	\$ 1,296,398	\$ 2,096,891	\$ 2,113,270	\$ 2,084,574	\$ 2,194,949	\$ 2,195,460
Coverage	3.74	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 2002-2008 are available.

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

GENERAL OBLIGATION BONDS	For the year ended June 30										
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Tuition Pledged for Debt Service	\$6,392,583	\$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	\$1,426,706	\$961,328	\$614,439	\$605,532	\$378,335	\$175,647	\$335,969	\$340,020	\$338,160	\$340,302	\$336,732
Coverage	4.48	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 2007 and Nine Years Earlier

<u>Sources</u>	<u>1998</u>		<u>2007</u>	
	<u>Number of Employees</u>	<u>Percent of Total</u>	<u>Number of Employees</u>	<u>Percent of Total</u>
Construction	109,300	6.15%	127,600	6.56%
Manufacturing	341,200	19.20%	250,100	12.85%
Trade, Transportation, and Utilities	346,900	19.52%	376,800	19.37%
Information	27,500	1.55%	27,800	1.43%
Financial Activities	82,800	4.66%	106,400	5.47%
Professional and Business Services	181,600	10.22%	226,800	11.66%
Education and Health Services	143,400	8.07%	201,000	10.33%
Leisure and Hospitality	178,300	10.03%	217,700	11.19%
Other Services	56,600	3.19%	73,800	3.79%
Government	309,400	17.41%	337,700	17.36%
	<u>1,777,000</u>	<u>100.00%</u>	<u>1,945,700</u>	<u>100.00%</u>

Source: South Carolina Workforce Labor Market Information

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 Council
Coastal Carolina University
AVX Corporation
Conway Medical Center
Grand Strand Regional Medical Center
City of Myrtle Beach
Loris Community Hospital & Extended Care
Food Lion, LLC
Southeast Restaurants Corporation
Myrtle Beach Farms
Horry Telephone Cooperative Inc.
Lowe's Home Centers Inc.
Fairfield Communities, Inc.
Bluegreen Vacations Unlimited, Inc.
Horry Georgetown Technical College
OS Restaurant Services Inc.
Myrtle Beach National Company
The Olive Garden

GEORGETOWN COUNTY

Georgetown County Department of Education
Georgetown Hospital System
International Paper
County of Georgetown
Myrtle Beach National Golf Club
B E & K Construction Company
Wal-Mart Associates, Inc.
A&D Constructors Inc.
ISG Georgetown Inc
City of Georgetown
3V Inc.
Festiva Resorts Services Inc.
Santee Cooper-SC Public Service Authority
Food Lion, LLC
LTD Services Inc.
FMSC Leasehold LLC
Georgetown Greenhouses, Inc.
In Home Healthcare Services Inc.
Transmed LLC
Mancill Inc

Source: South Carolina Employment Security Commission, January - March, 2007

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>
2007	4,407,709	249,925	60,499	\$ 31,013	n/a	n/a	5.9	5.1	6.4
2006	4,330,108	239,754	60,007	29,770	\$ 27,810	\$ 32,520	6.4	5.5	7.0
2005	4,254,989	228,578	59,534	28,285	26,789	30,399	6.7	5.7	8.6
2004	4,201,437	218,149	59,199	27,090	26,006	28,388	6.8	5.9	9.5
2003	4,146,770	211,020	58,398	25,880	25,017	26,785	6.7	5.6	9.7
2002	4,104,683	206,243	57,709	25,370	24,333	26,193	5.9	5.1	8.2
2001	4,062,933	201,882	56,795	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	3.6	5.3
1999	3,974,682	191,833	55,053	23,075	23,019	22,519	4.5	3.9	8.7
1998	3,919,235	186,009	53,920	\$ 22,161	\$ 21,988	\$ 21,488	3.8	3.8	7.9

Source:

* S.C. Employment Security Commission Labor Market Information

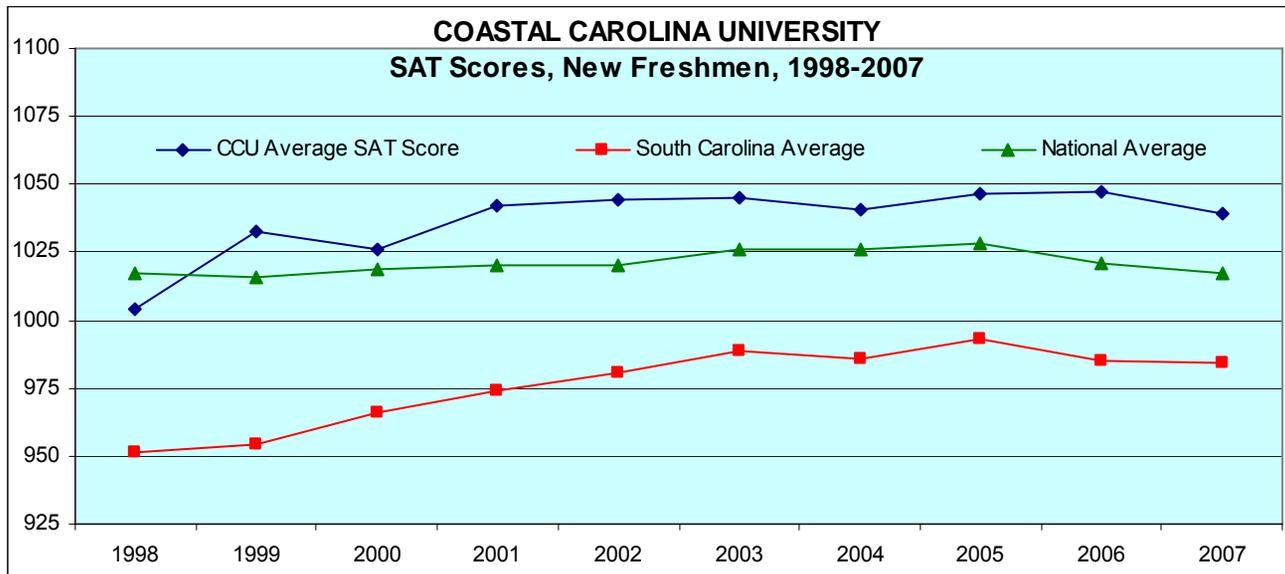
**2008 Real Estate Center at Texas A&M University, U.S. Bureau of Census

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>									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CCU Average SAT Score	1004	1032	1026	1042	1044	1045	1041	1046	1047	1039
South Carolina Average	951	954	966	974	981	989	986	993	985	984
National Average	1017	1016	1019	1020	1020	1026	1026	1028	1021	1017



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

	Academic Year Beginning in Fall									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Coastal Carolina University										
Professor	\$78,667	\$73,231	\$71,845	\$68,471	\$62,559	\$63,186	\$61,614	\$59,810	\$58,286	\$56,774
Associate Professor	\$63,887	\$62,123	\$59,385	\$56,615	\$53,936	\$51,831	\$51,468	\$49,705	\$47,596	\$45,536
Assistant Professor	\$57,786	\$53,996	\$51,395	\$48,248	\$44,887	\$43,592	\$42,781	\$42,742	\$41,241	\$38,381
Instructor/Other	\$41,300	\$37,009	\$34,470	\$32,564	\$30,698	\$29,805	\$31,827	\$32,256	\$30,209	\$29,109
Average, all ranks	\$61,905	\$58,227	\$55,822	\$52,411	\$49,095	\$48,208	\$48,387	\$47,278	\$45,278	\$43,417
Average, percent of										
SC public universities	103.40%	101.33%	99.11%	97.15%	96.62%	98.77%	99.10%	99.37%	98.68%	97.76%
Average, percent of SREB*	N/A	105.99%	104.44%	102.13%	99.67%	96.56%	97.41%	98.21%	98.11%	97.47%
Average, percent of national**	95.84%	90.16%	81.55%	79.56%	78.18%	79.19%	81.28%	79.97%	78.89%	78.89%
South Carolina Public Universities										
Professor	\$74,802	\$71,895	\$69,949	\$66,270	\$61,351	\$62,615	\$61,760	\$60,094	\$57,363	\$55,369
Associate Professor	\$63,124	\$60,936	\$59,267	\$56,901	\$53,415	\$51,443	\$50,243	\$48,911	\$46,787	\$45,088
Assistant Professor	\$53,825	\$51,282	\$49,373	\$46,761	\$44,468	\$43,728	\$42,936	\$42,682	\$40,463	\$38,666
Instructor/Other	\$44,159	\$41,942	\$40,443	\$40,350	\$37,059	\$35,448	\$35,470	\$33,945	\$32,444	\$31,327
Average, all ranks	\$59,868	\$57,462	\$56,326	\$53,949	\$50,814	\$48,809	\$48,827	\$47,578	\$45,884	\$44,411
Southern (SREB*) Average	N/A	\$54,937	\$53,449	\$51,318	\$49,260	\$49,927	\$49,674	\$48,142	\$46,148	\$44,542
National** (CUPA) Average	\$64,591	\$64,580	\$68,454	\$65,875	\$62,800	\$60,880	\$59,532	\$59,123	\$57,394	\$55,038

Schedule 16
Coastal Carolina University
Summary of Faculty, Staff and Administrative Statistics
2008 and Past Nine Academic Years

	For the year ended June 30								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
Full-time faculty	264	248	233	231	238	209	189	190	181
Part-time faculty	160	132	120	133	133	103	122	133	103
Total faculty	424	380	353	364	371	312	311	323	284
Full-time staff/administrators	561	541	532	459	408	393	368	353	336
Part-time staff/administrators	134	136	98	94	58	116	91	92	71
Total staff/administrators	695	677	630	553	466	509	459	445	407
Total full-time employees	825	789	765	690	646	602	557	543	517
Total employees	1119	1057	983	917	837	821	770	768	691
Part-time faculty FTE (full time equivalent)	135.7	121.5	106.1	100.4	93.3	64.0	53.0	48.7	46.5
Total teaching faculty FTE	397.7	361.5	339.1	320.4	301.3	264.0	232.0	228.7	222.5
Ratios:									
Full-time faculty: Full-time staff/administrators	0.47	0.46	0.44	0.50	0.58	0.53	0.51	0.54	0.54
Total faculty: Total staff and administrators	0.61	0.56	0.56	0.66	0.80	0.61	0.68	0.73	0.70
Part-time faculty: Total faculty	0.38	0.35	0.34	0.37	0.36	0.33	0.39	0.41	0.36

Source: IPEDS, EAP

Schedule 17
Coastal Carolina University
Schedule of Capital Asset Information
2007-2008

Buildings – Assignable Area Square Feet

Instruction	285,471
Research	416
Public Service	1,200
Academic Support	59,043
Student Services	100,541
Institutional Support	59,074
Plant Operation and Maintenance	24,865
Auxiliaries	284,910
Other	13,297

Library

Number of volumes	177,447
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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

SINGLE AUDIT SECTION



Thomas W. and Robin W. Edwards Building

COASTAL CAROLINA UNIVERSITY
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2008

Account	Federal Grantor/Pass through Grantor/Program Title	CFDA		Res/Dev	Budget	EXPENDITURES	AGENCY TOTAL
		NUMBER	Pass-through Grantor's Number				
DEPARTMENT OF COMMERCE							
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION,							
Passed through South Carolina Sea Grant Consortium							
31-2286	Mapping Submarine Groundwater Seeps on the South Carolina Continental Shelf	11.417	NA060AR4170015	YES	\$29,529.00	\$2,801.79	
31-2289	OCRM BERM June 2006	11.417	E432 PO#635496	YES	\$77,256.00	\$8,111.06	
31-2737	South Carolina Coastal Erosion Program: GIS and Data Management Year 7	11.417	V56D	YES	\$49,875.00	\$35,167.49	
31-2738	South Carolina Beach Erosion Research and Monitoring: V56A	11.417	V56A	YES	\$21,872.00	\$2,287.00	
31-2283	Identification of Coastal Hypoxia Mechanisms and Hypoxia Monitoring in Inner Shelf Waters of Long Bay, South Carolina	11.419	NA04NOS4190057	YES	\$76,571.00 (\$1,	591.36)	
31-2302	Electrical Characterization of Submarine Groundwater Seeps on the South Carolina Continental Shelf	11.419	R270	YES	\$27,887.00	\$22,087.83	
31-2751	Geochemical Characterization of Submarine Groundwater Seeps on the South Carolina Continental Shelf	11.419	R370	Yes	\$45,115.00	\$7,732.01	
31-2303	Identification of Coastal Hypoxia Mechanisms and Hypoxia Monitoring in Inner Shelf Waters of Long Bay, South Carolina	11.419	R268	YES	\$76,543.00	\$35,233.86	
31-2739	Dissolved Oxygen Assessment along the Grand Strand using Pier-based In-Situ Sensors	11.419	NA 06NOS4190193	YES	\$50,766.00	\$32,654.78	
Passed thru SCOCRM							
31-2749	Update of existing Long-Term Shoreline Erosion Rates for Beach Erosion Monitoring Stations	11.419	NA05N0S4191093	YES	\$42,420.00 \$1	5,848.00	
31-2297	Influence of Meteorological and Substrate Factors upon Embryonic Outcomes	11.420	NA07NOS4200040	YES	\$20,000.00	\$9,696.08	
31-2759	NERRS Graduate Research Fellowship for Emma Wear	11.420	NA08N0S4200274	YES	\$20,000.00	\$4,090.72	
Passed thru South Carolina Sea Grant Consortium							
31-2750	Beach Renourishment Activities and Potential Impacts on Critical Hard Bottom Habitats on the Shoreface of the Grand Strand	11.420	R381	YES	\$66,222.00	\$15,190.96	
31-2752	Spatial and Temporal Availability in Rate of Mean High Water Rise Along the South Carolina Coast During the Past 6,000 Years	11.420	R379	YES	\$42,403.00	\$12,217.94	
Passed through South Carolina Department of Natural Resources							
31-2301	Assessment of Surf Zone and Near-shore Nekton Community in Horry County	11.420	NA04NMF4720306	YES	\$33,759.00	\$29,220.24	
31-2744	Waccamaw Watershed Academy Nearshore Water Quality Study: Maintain Water Quality Sensors at Apache Pier	11.434	NA04NMF4720306	YES	\$26,212.00 \$1	5,314.82	
31-2758	Strategy to Investigate the Relationship Between Fishery Landings and Environment	11.434	NA04NMF4720306	YES	\$10,878.00	\$4,967.23	
							\$251,030.45

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2008

Account	Federal Grantor/Pass through Grantor/Program Title	CFDA		Res/Dev	Budget	EXPENDITURES	AGENCY TOTAL
		NUMBER	Pass-through Grantor's Number				
DEPARTMENT OF DEFENSE							
US Army Corp of Engineers							
31-3187	Grand Strand Shore Protection Project for Horry County Sea Turtle Monitoring	12.101	W81D4A60819742	NO	\$81,182.00	\$20,625.99	
31-2741	Georgetown Nearshore Hard Bottom Sidescan Survey	12.999	W912HP-05-2-0001	YES	\$22,000.00	\$2,000.00	
31-2743	USACE Whitepoint Swash Study	12.999	NB1D4A72295221	YES	\$11,525.00	\$11,525.00	
31-2747	Monitoring Current Velocities within the Swashes of the Grand Strand	12.999	W81D4A73128490	YES	\$12,000.00	\$12,000.00	
31-2305	Grand Strand Surveys	12.999	W81D4A70198374	YES	\$8,135.00	\$135.00	
31-2299	2007 Myrtle Beach Renourishment Project: Beach, Nearshore Reef and Borrow Site Monitoring	12.999	W912HP-05-20001	YES	\$157,333.00	\$9,283.45	
							<u>\$183,569.44</u>
DEPARTMENT OF THE INTERIOR							
Fish and Wildlife Service							
31-2288	Coastal Watershed Habitat Assessment	15.63	401816J048	YES	\$21,580.00	\$4,499.34	<u>\$4,499.34</u>
NATIONAL PARK SERVICE/DEPARTMENT OF THE INTERIOR							
31-2304	Mapping Nearshore Bathymetry Along the Coast of Fire Island National Seashore	15.929	H5040-04-055	YES	\$14,213.00	\$10,840.12	<u>\$10,840.12</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION							
31-2742	The Roles of Gravity Waves in the Polar Atmosphere	43.001	C2566B1	YES	\$282,886.00	\$49,244.55	
31-2746	Characterization of Aerosol Vertical Distributions and Assessment of Anthropologic Impacts over North America and the North Pacific: Data Manipulation and Analysis	43.001	NNX08AB06G	YES	\$13,000.00	\$12,939.81	
Passed through College of Charleston							
31-2281	Gravity Waves and Their Impact on the Stratosphere	43.001	sub-award 520672	YES	\$21,833.00	\$2,651.39	
31-2298	Analysis of Organic Emissions from Aircraft	43.001	NA	YES	\$8,000.00	\$4,901.68	
31-2707	Building and Applying Remotely Operative Vehicles to Integrate STEM Research into the Freshman Experience	43.001		YES	\$8,000.00	\$7,985.73	
31-2912	South Carolina Space Grant Consortium Year 14	43.001	NNG05GI68G	YES	\$7,000.00	\$3,009.77	<u>\$80,732.93</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES							
31-3827	Digital Humanities Start-Up Grant: Ashes2 Art Program	45.169	HD-50111-07	NO	\$30,000.00	\$11,688.31	<u>\$11,688.31</u>
NATIONAL SCIENCE FOUNDATION							
31-1733	EMSW21-MCTP: Nebraska Mentoring Through Critical Transition Points	47.049	25-0517-0057402	NO	\$7,500.00	\$2,500.00	
31-2292	RUI: Gravity Waves and the Stratospheric Polar Vortex	47.050	ATM-0646672	YES	\$225,371.00	\$94,867.60	
31-2708	Acquisition of Marine Geophysical Instrumentation Suite for Seafloor Mapping and Bottom Boundary Layer Analysis	47.050	OCE-0722796	YES	\$535,770.00	\$508,026.66	
31-3211	Coastal Quest: Developing a Learnscape Approach for Edutourism	47.050	ESI-0532150	NO	\$74,611.00	\$1,511.78	

COASTAL CAROLINA UNIVERSITY
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2008

Account	Federal Grantor/Pass through Grantor/Program Title	CFDA		Res/Dev	Budget	EXPENDITURES	AGENCY TOTAL
		NUMBER	Pass-through Grantor's Number				
31-2257	Mobile Link Organisms as Processors and Transporters of Materials within a Marsh-Estuarine Ecosystem	47.074	DEB-0427853	YES	\$612,000.00 \$1	28,105.45	
31-2735	Collaborative Project: Development of POGIL-IC Modules for General Chemistry	47.076	DUE-0633191	YES	\$44,575.00	\$41,251.10	
	Passed through South Carolina Experimental Program to Simulate Competitive Research and Institutional Development Awards						
31-3925	RAIN Conference III	47.076	EPS-00447660	NO	\$4,907.00 \$4,	907.00	
31-2760	GK-12 Fellows Linking Marine and Wetland Research with Science Education in Coastal Carolina Schools	47.076	DGE-0742419	YES	\$387,564.00	\$41,935.30	
31-2733	Development of POGIL-IC modules for General Chemistry	47.079	OISE-0622810	YES	\$85,000.00	\$28,448.55	
							<u>\$851,553.44</u>
OFFICE OF WATER, ENVIRONMENTAL PROTECTION AGENCY							
31-2270	Community-Based Watershed Management Planning for the Waccamaw Basin	66.461	CD-96416205-0	YES	\$257,950.00	\$43,033.64	
	Starting with the Kingston Lake Watershed						<u>\$43,033.64</u>
US DEPARTMENT OF ENERGY							
OFFICE OF ENERGY EFFICIENCY AND RENEWABLE ENERGY							
31-2929	EPSCOR: Thermodynamic and X-ray Studies of Electrically-Ordered Absorbed Phases	81.119	DEFG0201ER45895	YES	\$118,659.00	\$258.59	
							<u>\$258.59</u>
US DEPARTMENT OF EDUCATION							
FEDERAL STUDENT AID, US DEPARTMENT OF EDUCATION							
31-8048	FSEOG 07/08	84.007	PO07A077401	NO	\$350,000.00 \$2	72,147.81	
	Office of Special Education and Rehabilitative Services						
	Passed thru South Carolina Department of Education						
31-1148	Project CREATE - Amendment for Redistribution	84.027	08-CO-310-01	NO	\$11,627.00	\$9,130.59	

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2008

Account	Federal Grantor/Pass through Grantor/Program Title	CFDA NUMBER	Pass-through Grantor's Number	Res/Dev	Budget	EXPENDITURES	AGENCY TOTAL
80-8204	Federal Family Education Loans (SEE ATTACHED SUB-SCHEDULE)	84.032				\$30,624,908.67	
31-8057	CWS 07-08	84.033	PO22A077401	NO	\$284,015.00 \$2	27,072.75	
31-8027	Pell 06/07	84.063		NO	\$0.00 \$2	0,012.69	
31-8028	Pell 07/08	84.063		NO		\$4,892,640.43	
	OFFICE OF ELEMENTARY AND SECONDARY EDUCATION Passed through the South Carolina Department of Education						
31-8078	Academic Competitiveness 07/08	84.375	P375A062202	NO	\$0.00	\$349,500.00	
31-8088	SMART Grant 07/08	84.376	P3765062202	NO	\$0.00 \$1	50,422.00	
	Passed through National Writing Project						
31-1513	Technology Matters Minigrant 2005-2006	84.928	A#13 94-SC03	NO	\$3,000.00	\$115.20	
31-3540	Coastal Area Writing Project 2004-2005	84.928	94-SC03#15	NO	\$176,000.00	\$44,742.94	
							\$36,590,693.08
	DEPARTMENT OF HEALTH AND HUMAN SERVICES						
	ADMINISTRATION ON AGING						
31-3449	Expansion of Aging and Disabilities Resource Centers in South Carolina	93.044	ADXC07	NO	\$5,000.00	(\$43.31)	
	ADMINISTRATION FOR CHILDREN AND FAMILIES						
	NATIONAL INSTITUTE OF HEALTH						
31-2271	Investigation of CD8* T Cell-Mediated Inflammation in the CNS	93.856	IR15AI06071-01	YES	\$132,093.00	\$47,677.43	
							\$47,634.12
	TOTAL FEDERAL EXPENDITURES				\$4,731,637.00 \$	38,075,533.46	\$38,075,533.46

COASTAL CAROLINA UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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>30,624,909</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

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And the Board of Trustees of
Coastal Carolina University
Conway, South Carolina

Compliance

We have audited the compliance of Coastal Carolina University (the University), a department of the State of South Carolina, 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, 2008. 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, 2008. The results of our auditing procedures disclosed three instances 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 items SD 08-01, SD 08-02 and SD 08-03.

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 "Clint Brantley & Co. PA". The signature is written in a cursive style.

September 23, 2008

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

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And the Board of Trustees of
Coastal Carolina University
Conway, South Carolina

We have audited the financial statements of Coastal Carolina University, a department of the State of South Carolina, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 23, 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

September 23, 2008

Coastal Carolina University
Summary of Auditors' Results
June 30, 2008

Summary of Auditors' Results:

GAGAS

An unqualified opinion was issued on Coastal Carolina University's financial statements dated September 23, 2008. 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 September 23, 2008. Our audit disclosed three findings that are 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, 2008 were between \$10 million and \$100 million.

Coastal Carolina University is not considered to be a low risk auditee by the criteria listed in OMB Circular A-133.

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

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)

The audit sample size was 40 students that included \$351,507 in federal financial assistance.

SD 08-01

National SMART Payment for Ineligible Major

Condition: One of the students in our sample changed from an eligible to an ineligible major during the fall semester. She received a spring disbursement as a student with an ineligible major. The Questioned Costs were \$2,000.

Criteria: One of the eligibility requirements for receiving a SMART grant is majoring in physical, life or computer science, engineering, mathematics, technology or a critical foreign language. Eligibility must be re-confirmed each semester prior to the disbursement of the funds. [34 CFR 691.15(c)(2)].

Cause: Financial Aid personnel did not become aware of the student's change of majors.

Coastal Carolina University
Summary of Auditors' Results
June 30, 2008

Findings and Questioned Costs Relating to Federal Awards: continued

Effect: The student received funds for which she was no longer eligible.

Recommendation: We recommend that a monitoring process be added that will identify students whose status has changed due to a change of majors

SD 08-02 **Satisfactory Academic Progress - Quantitative**

Condition: A student continued to receive financial assistance after passing the maximum hours allowed for an undergraduate student. The Questioned Costs are \$5,860.

Criteria: To quantify academic progress as defined by [34 CFR 668.16(e)(2)(ii)(A)] the school must set a maximum time frame for graduation that does not exceed 150 percent of the published length of the program. The maximum time frame is then divided into increments that the student must maintain in order to complete their degree within the maximum time frame allowed.

Cause: The University did not consider the 115 credits that the student had transferred in with.

Effect: The student received financial assistance while not making Satisfactory Academic Progress.

Recommendation: The University should consider revising its SAP calculation to include transfer hours.

SD 08-03 **Reporting**

Condition: The FISAP report for June 30, 2007 operations did not reconcile to and was not supported by general ledger balances.

Criteria: The FISAP must contain accurate, auditable and verifiable data. [Blue Book, Chapter 6; 1999 ver.]

Cause: Personnel changes resulted in a communication breakdown between the Financial Aid and Finance departments.

Effect: The balances reported on the University's general ledger do not match the balances reported on the FISAP.

Recommendation: The finance and student financial aid offices should reconcile the data before it is reported.



COASTAL CAROLINA UNIVERSITY
Office of Financial Aid

September 22, 2008

To: Wayde Dawson

From: Dawn H. Hitchcock

Re: Audit Findings

This is in response to Audit Findings for 2007-2008. The Financial Aid Office at Coastal Carolina University has undergone major staff changes over the past two years. As a result, we are reviewing all policies and procedures to ensure all federal and institutional regulations are being enforced.

SD 08-01 National SMART Payment for Ineligible Major

Condition: One of the students in our sample changed from an eligible to an ineligible major during the fall semester. She received a spring disbursement as a student with an ineligible major. The Questioned Costs were \$2,000.

Cause: Financial Aid personnel did not become aware of the student's change of majors.

Effect: The student received funds for which she was no longer eligible.

Recommendation: We recommend that a monitoring process be added that will identify students whose status has changed due to a change of majors

Response: A subroutine was written and attached to a rule applied to all SMART award codes on June 17, 2008. This rule will identify students who fail the eligible major criteria and have been awarded the SMART Grant. Our Financial Aid transmittal process will evaluate these rules regularly and pull back funds for ineligible majors. The institution replaced the SMART Grant for this student with other eligible funds.

The ACG/SMART Grant program took some time in creating a process flow that would consider all eligibility requirements without requiring a full manual process. The Financial Aid Office was reviewing these files manually until the correct flow was in place. With the new rule and our current process flow, this situation should not re-occur.

SD 08-02 Satisfactory Academic Progress - Quantitative

Condition: A student continued to receive financial assistance after passing the maximum hours allowed for an undergraduate student. The Questioned Costs are \$5,860.

Cause: The University did not consider the 115 credits that the student had transferred in with.

Effect: The student received financial assistance while not making Satisfactory Academic Progress.

Recommendation: The University should consider revising its SAP calculation to include transfer hours.

Response: Due to a subroutine error, the SAP calculation failed to consider transfer hours during the calculation for maximum time frame. This subroutine was corrected on June 12, 2008. This student, however, while not being notified of the maximum allowable hours, **had been reviewed** for SAP and asked to submit an academic plan, as well as meet certain stipulations. The student submitted the academic plan and met all of his stipulations.

When this issue was brought to our attention, we immediately reviewed all SAP calculations for the academic year to ensure that the maximum time frames were being considered. Our SAP Coordinator is currently reviewing the SAP process and making any needed modifications to improve the process.

SD 08-03 Reporting

Condition: The FISAP report for June 30, 2007 operations did not reconcile to and was not supported by general ledger balances.

Cause: Personnel changes resulted in a communication breakdown between the Financial Aid and Finance departments.

Effect: The balances reported on the University's general ledger do not match the balances reported on the FISAP.

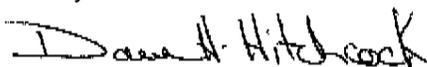
Recommendation: The finance and student financial aid offices should reconcile the data before it is reported.

Response: The FISAP report will always be balanced with Financial Services before being submitted. The Financial Aid Office will work with Financial Services to review all entries before submittal. This will be added to our Policies and Procedures.

The FISAP report was submitted last year by Coastal Carolina University's Director of one year. In his effort to fulfill his responsibilities, the FISAP was submitted without input from Financial Services. To ensure that this does not reoccur, we are adding this requirement to the Policies and Procedures Manual regarding the submission of the FISAP.

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.



September 24, 2008

Signature – Dawn H. Hitchcock, Director

Date

COASTAL CAROLINA UNIVERSITY
Summary Schedule of Prior Audit Findings
June 30, 2008

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.

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.

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.

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.

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.

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.

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.

MW07-07

Bond Documents Definition

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

COASTAL CAROLINA UNIVERSITY
Summary Schedule of Prior Audit Findings
June 30, 2008

Findings Relating to the Financial Statements:

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.

MW -7-09

Related Party Transactions Disclosure

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

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.

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.

MW 07-12

Segregating Ticket Sales Duties

Condition: NC AA revenue collections procedures do not provide for adequate segregation of duties within the ticket sales office. Currently the manager of the prog4am has access to the cash and record keeping functions.

MW 07-13

Hiring Practices

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

MW 07-14

Unauthorized Compensation Policy

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

MW 07-15

Tracking Work Orders

Condition: The University's work order system does not provide an adequate trail for accounting and audit purposes.

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 offices and board members.

COASTAL CAROLINA UNIVERSITY

Summary Schedule of Prior Audit Findings, Continued June 30, 2008

Findings and Questioned Costs Relating to Federal Awards:

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.



COASTAL CAROLINA UNIVERSITY™
Vice President for Business Affairs

September 19, 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 updates to Coastal Carolina University's responses to the Schedule of Findings and Questioned Costs by Cline Brandt Kochenower & 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.

Update: Reconciliations have been completed for each quarter of the fiscal year reconciling the Federal 941 report with the general ledger and the employees' W-2 statements. Benefit accounts have been adjusted to reflect the break out of the year's expenses. Payroll expense has been reconciled to the payroll register to within a tolerance level that indicates a lack of fraudulent activity.

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.

Update: Procurement has implemented an online policy update training and required exam using Blackboard for all procurement cardholders to be completed yearly. To date, 178 cardholders have successfully taken the exam out of the 192 active cardholders. 177 cardholders have passed the exam and 15 cards are currently suspended, 1 for not achieving the required passing score on the exam and 14 for not having completed the exam. As cardholders complete the exam or achieve a passing score, their card will be reinstated.

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.

Update: Consultant contracts have received Finance Committee approval since this requirement was put in place in October, 2007.

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.

Update: All leases have received approval by the Facilities Committee since this requirement was put in place in October, 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.

Update: Senior Staff Accountant, Heather Walbring, took the initiative to figure out a way to reconcile the University's very complicated credit card postings. She worked with other universities to determine their method and applied what she could to our process. Currently, she is able to reconcile the bursar's summary statements to the general ledger, the State Treasurer's Office receipts to the bank statements, the bank statements to the merchant statements, which show postings from each of the University's terminals. The general ledger is then tied to the State Treasurer's Office. Current year audit samples were able to be traced from the student's account to the credit card terminal posting, through the general ledger, the bank statement and to the State Treasurer's Office.

A daily deposit requirement was implemented as of April 10, 2008. As of that date, all departments are required to make their deposits daily with the Bursar's Office.

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.

Update: The University worked out a settlement of the \$811,320 charges from Fiscal Year 2007 which included partial payment and partial write off of the booked receivable. Payment of the agreed upon invoices was received prior to the end of the Fiscal Year 2008. The current year's charges have been communicated to the Executive Director and have been paid as scheduled. Current Fiscal Year payables and receivables are agreed upon between both entities.

Services provided to the Chanticleer Club have been calculated, and invoiced. The Coastal Educational Foundation provides support to the University in exchange for services provided. Both entities are reviewing the possibilities of having their own employees and relying less on services provided by 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.

Update: As of July 1, 2007 health fees were included as part of tuition. This change simplifies the calculation of the debt service coverage requirement. Keith Smith, Director of Finance, Foundations, is providing financial support for the Student Housing Foundation and is knowledgeable of the requirements.

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.

Update: As of July 1, 2007 health fees were included as part of the tuition charges.

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.

Update: Appropriate entries have been made for the current fiscal year in accordance with the schedules produced at the end of the prior fiscal year. No additional bond debt or defeasance of prior debt has taken place in the current fiscal year.

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.

Update: University administration sent a request out to all Board of Trustee members and to every budget officer authorized to spend University funds requesting a list of any business considered a related party. It was clearly stated that they should list all business they or their immediate family had a controlling interest in whether or not the University does business with them or not. Requests for information was sent from the President's office and follow up phone calls were made.

The names of the businesses were compiled without the board member or budget officer's name indicated. The businesses were searched within the University's vendor database and a vendor type code "RP" was assigned to those with which we do business. The full list is in procurement so that as new vendors are added, the "RP" code can be assigned if necessary. Financial services was able to run a year end report listing all related party vendors for review while compiling 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.

Update: Currently, finance employees responsible for component unit financial transactions and statements report through the Department of Financial Services. These reporting relationships and employee structures have been discussed within the Coastal Educational Foundation and there is a possibility that they may choose to hire their own employees. University financial services will assist in whatever transition activities are necessary as a result of that recommendation.

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.

Update: The University President and/or Board of Trustees approval is required for all compensation provided to employees of the University

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.

Update: Currently, ticket sale deposits are reconciled with the ticketing software reports, cash drawers are issued and reconciled daily and reconciliations between the ticket revenue accounts in the general ledger and the ticket software sales reports are taking place. The athletic business officer is currently making the deposits and the ticket manager does have a cash drawer as the office is down one staff member. There is a process by which complimentary tickets will be reconciled. All complimentary tickets are now “signed out”.

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.

Update: A new nepotism policy was placed in effect on April 4, 2008, and changes to all hiring forms have been made requiring assurance from the hiring manager that the hiring of an individual does not violate the nepotism policy. In the event a requested hire will violate the nepotism policy, the University President is required to authorize the hire.

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.

Update: The web-based time and attendance system is implemented and functional. In addition a biometric time clock system has been purchased and will be installed and implemented within the facilities area. The State Office of Human Resources denied our requested policy change to allow pay for the hours between 37.5 and 40. The Office of Human Resources at Coastal Carolina University is continuing to investigate alternative methods of pay for employees on call or for work performed outside their normal shift or duties.

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.

Update: SchoolDude, the inventory tracking system has been in use since October 2007. The account and process flow for postings to the ledger has been in review since, and a process is now in place to properly record transfers of material from maintenance supply to the trades accounts within Inventory Direct and then to the account for the job performed within Maintenance Direct. Postings to the ledger for all months within FY08 were completed by June 30, 2008. Although the current system is accurate, we are pursuing a more streamlined interface between Datatel and SchoolDude by working directly with the SchoolDude organization. The detailed information being recorded in the general ledger is a helpful for departments to use as an expense management tool as it gives them a description of the work order performed and the associated expense. Currently, another module is being reviewed which would allow p-card purchases to be charged directly to work orders as well.

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.

Update: Internal audit has received the SC ethics forms from all Board of Trustee members except one who communicated with the State that the form would be late. Internal audit also has all conflict of interest forms from Board of Trustee members except one.

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