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DOCUMENTS RELATING TO  
THE ISSUANCE AND SALE OF

\$48,755,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES,  
SERIES 2009  
OF BEAUFORT COUNTY, SOUTH CAROLINA

DATED: MARCH 10, 2009

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*Art Bookbinders of America, Inc.*  
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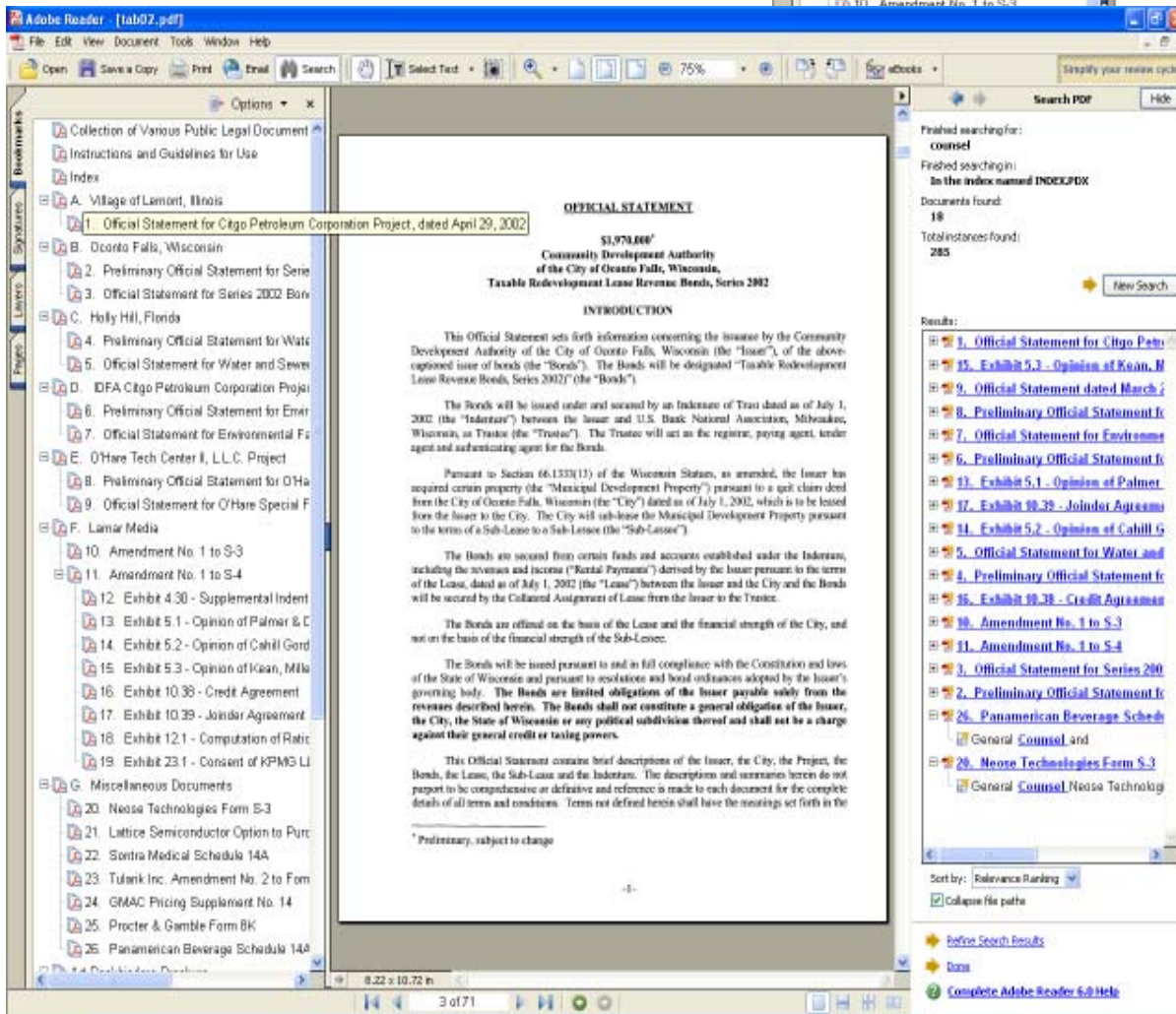
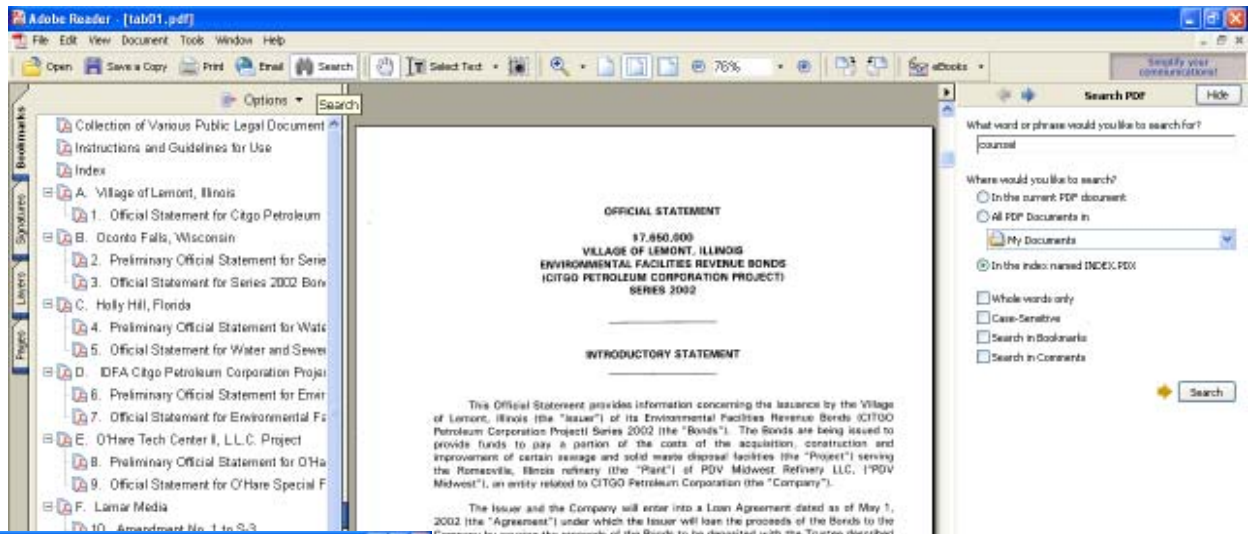


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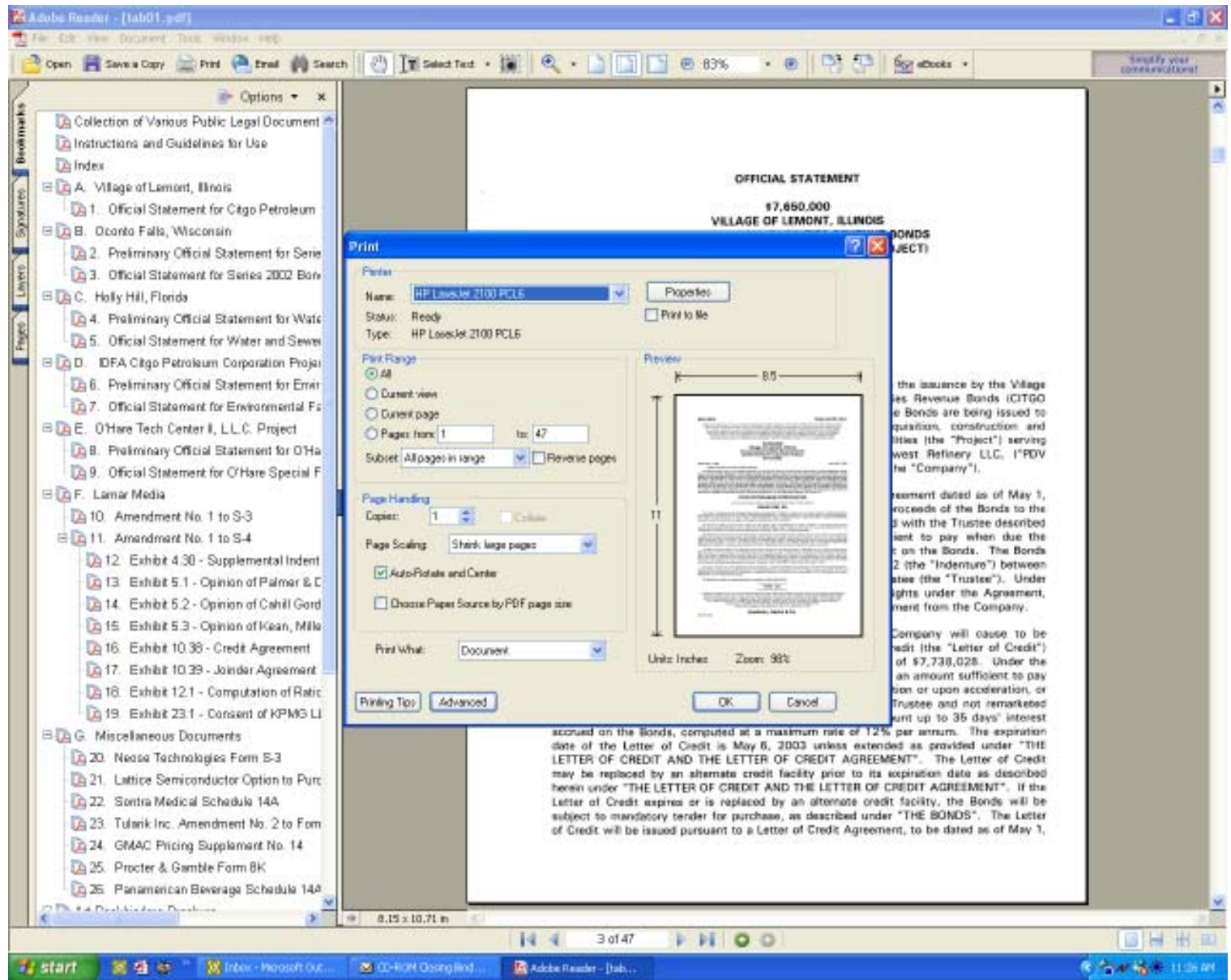
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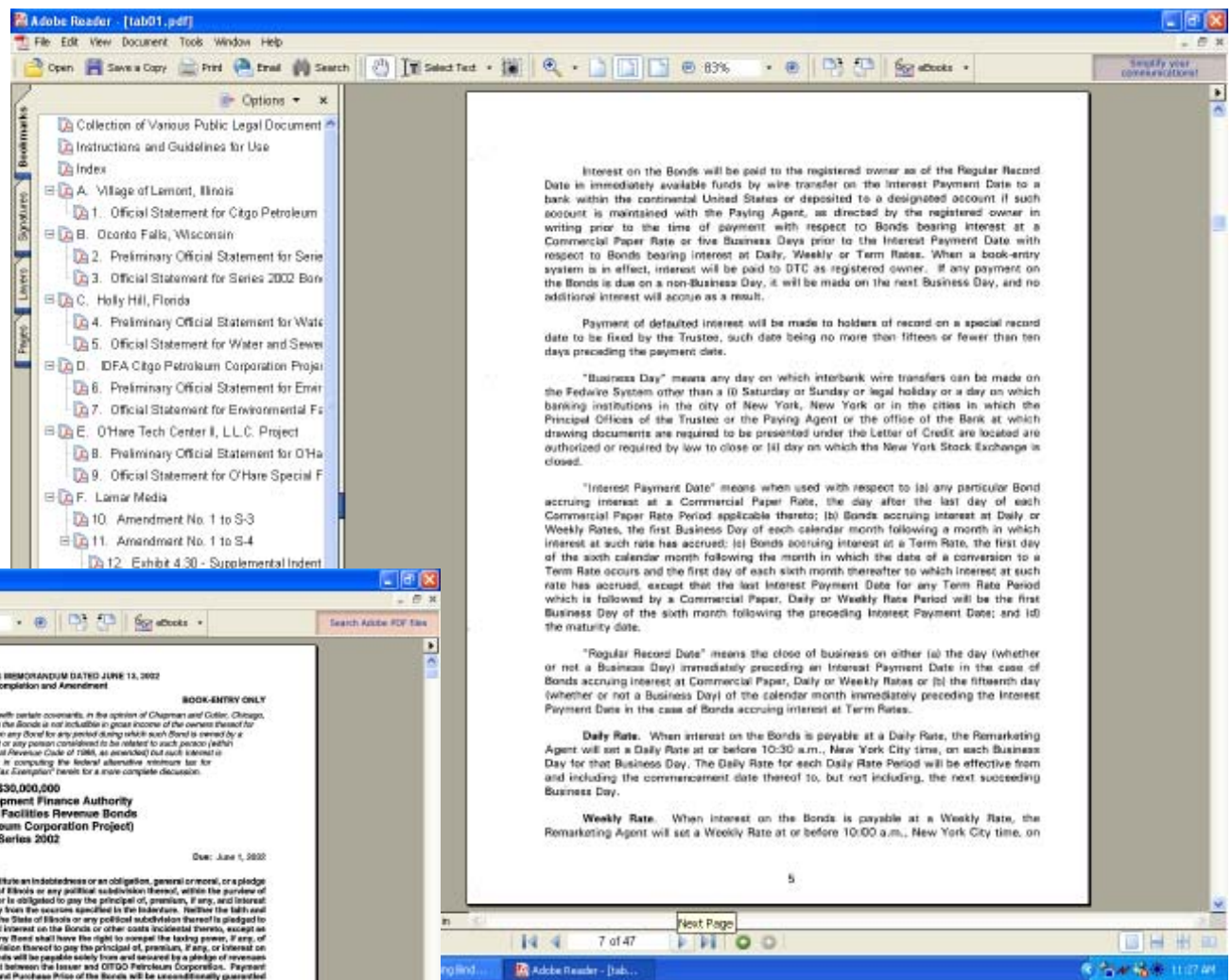
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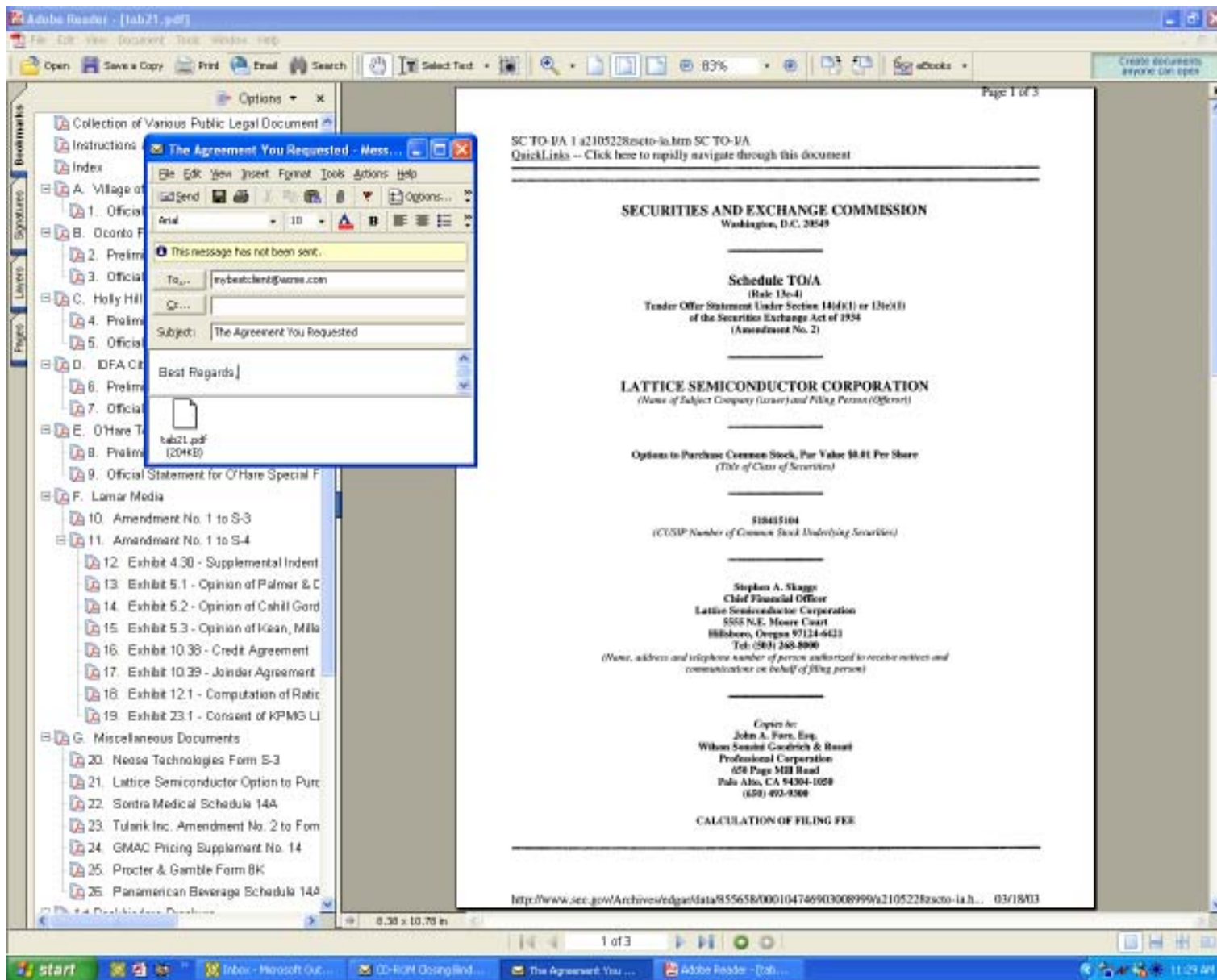
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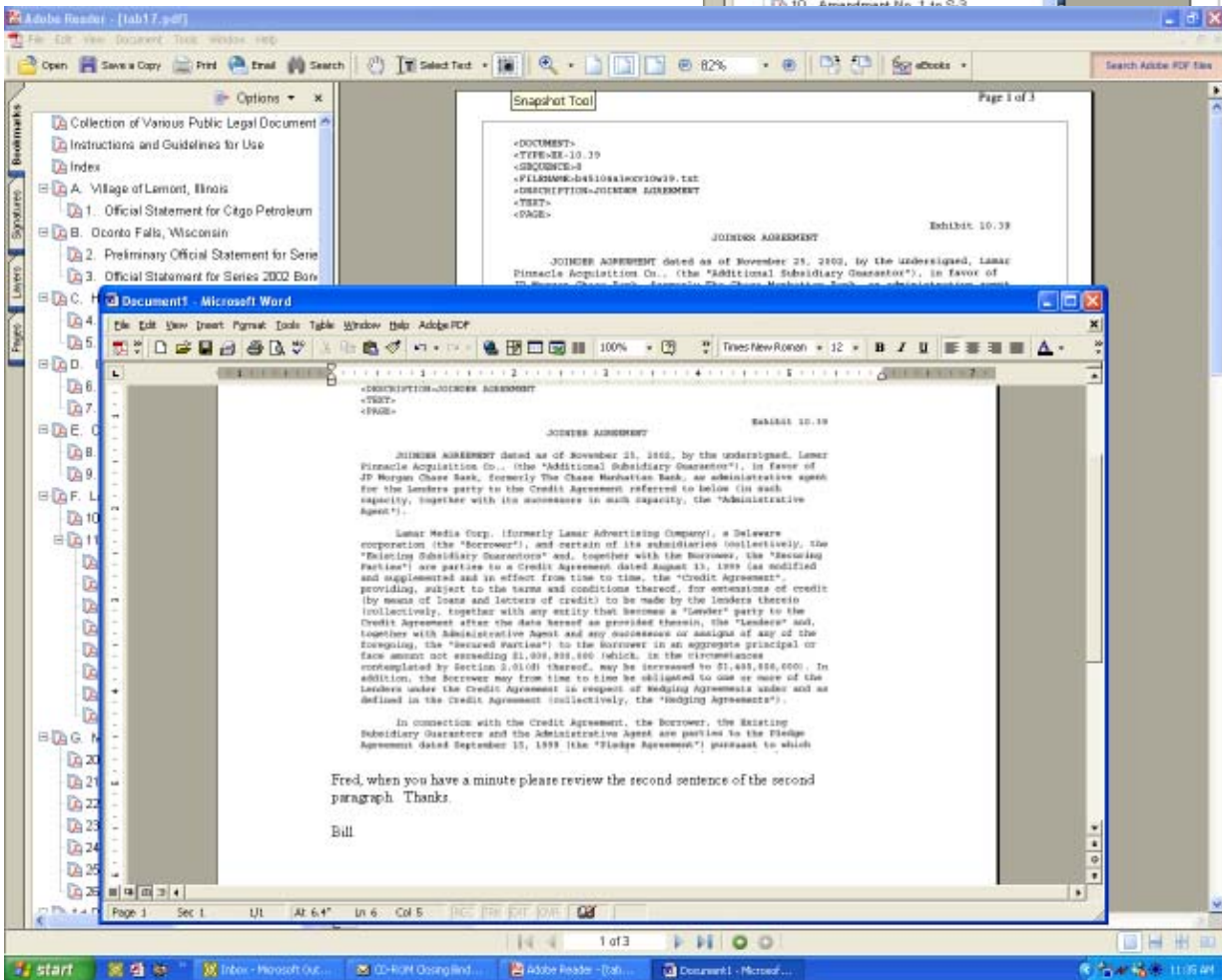
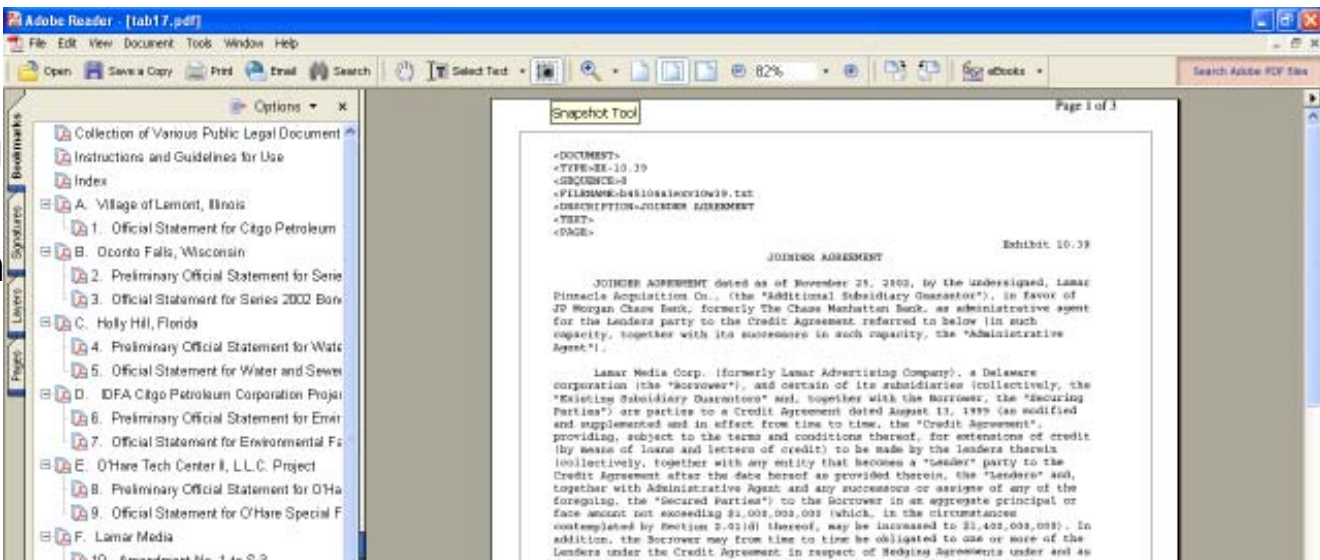
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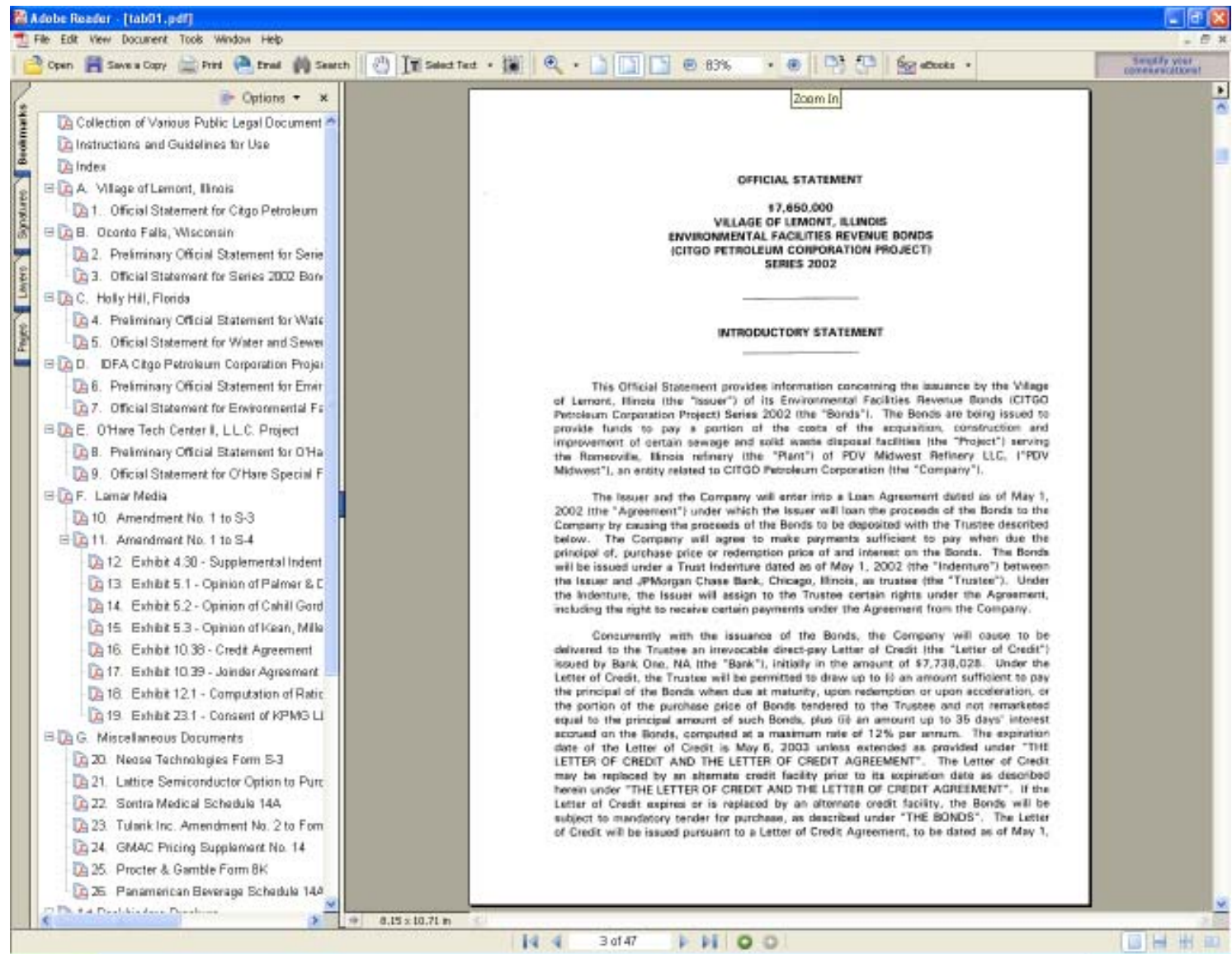
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CLOSING MEMORANDUM

DOCUMENTS RELATING TO THE ISSUANCE  
AND SALE OF \$48,755,000 GENERAL OBLIGATION BOND  
ANTICIPATION NOTES, SERIES 2009  
OF BEAUFORT COUNTY, SOUTH CAROLINA

Dated: March 10, 2009

A. Documents Filed with Clerk of Court

1. Certificate of Clerk of Court for Beaufort County, South Carolina (the “County”).
2. Certified copy of a Resolution of the County Council of the County, adopting the Council-Administrator form of government for the County.
3. Certificate of Incumbency of certain officials of the County.
4. Certificate of Incumbency of members of the County Council.
5. Certificate of Auditor.
6. Copy of Ordinance No. 2006/3 Ordering Referendum.
7. Pre-clearance letter from U.S. Department of Justice.
8. Copy of Resolution No. 2006-37 Declaring Results of Referendum.
9. Certificate of Treasurer.
10. Affidavits of Publication of Notice of Public Hearing in *The Island Packet* on August 8, 2008.
11. Certified copy of Ordinance No. 2008/34.
12. Certified copy of Minutes.
13. Affidavits of Publication of Summary Notice of Sale in *The State* on February 17, 2009
14. Preliminary Official Statement.
15. Notice of Sale and Bid Form.
16. Report of Chief Financial Officer.
17. Filing for Debt Issue of Political Subdivision.

B. [Documents Delivered by the County](#)

18. Official Statement.
19. Certificate Regarding Initiative and Referendum Provisions.
20. Federal Tax Certificate.
21. Signature and No-Litigation Certificate.
22. Receipt.
23. Certificate of County Administrator Regarding the Official Statement.
24. Specimen of Note.
25. Form 8038-G.
26. Copies of Rating Letters.
27. Disclosure Dissemination Agent Agreement.

C. [Documents Delivered by the Registrar/Paying Agent](#)

28. Registrar's Certificate.

D. [Documents Delivered by the Purchaser](#)

29. Certificate as to Issue Price.
30. Purchaser's Receipt for the Notes.

E. [Opinion](#)

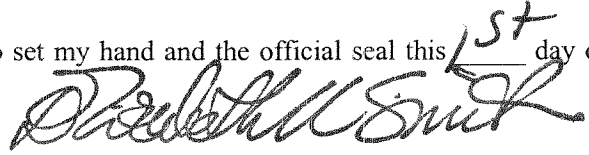
31. Opinion of McNair Law Firm, Bond Counsel.

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF BEAUFORT )

CERTIFICATE OF CLERK OF COURT

I, the undersigned, Clerk of Court for Beaufort County, South Carolina, do hereby certify that a true, correct and full record of the proceedings in connection with the issuance and sale of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009, of Beaufort County, South Carolina, consisting of the documents and instruments set forth in Exhibit A attached hereto, was filed in this office and indexed in a special book kept for that purpose on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and the official seal this 1<sup>st</sup> day of April, 2009.



\_\_\_\_\_  
Clerk of Court for Beaufort County, South Carolina

(SEAL)

2009 APR -1 AM 11:57  
BEAUFORT COUNTY  
CLERK OF COURT  
BEAUFORT, S.C.

CLOSING MEMORANDUM

DOCUMENTS RELATING TO THE ISSUANCE  
AND SALE OF \$48,755,000 GENERAL OBLIGATION BOND  
ANTICIPATION NOTES, SERIES 2009  
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17. Filing for Debt Issue of Political Subdivision.

2009 APR -1 AM 11:57  
BEAUFORT COUNTY  
CLERK OF COURT  
BEAUFORT, S.C.

*O. Frank Shumpton*  
SECRETARY OF STATE  
**FILED**  
SEP 22 1977  
A.M. 7|8|9|10|11|12|1|2|3|4|5|6 P.M.

MAR 27 2009

RESOLUTION

*Mark Hammett*  
SECRETARY OF STATE OF SOUTH CAROLINA

ADOPTING THE COUNCIL-ADMINISTRATOR FORM OF GOVERNMENT FOR THE COUNTY OF  
BEAUFORT PURSUANT TO TITLE 14, SECTION 3701 (b) OF THE CODE OF LAWS OF  
SOUTH CAROLINA.

WHEREAS, Section 14-3701 (b) of the Code of Laws provides that  
unless otherwise determined by referendum prior to July 1, 1976, the  
County shall beginning on that date have the form of government including  
the method of election, number, composition and terms of the governing  
body most nearly corresponding to the form in effect in the county  
immediately prior to that date; and

WHEREAS, the General Assembly has determined in Section 14-3701 (b)  
of the Code of Laws that Beaufort County was operating under the Council-  
Administrator form immediately prior to the date of July 1, 1976; and

WHEREAS, the governing body of Beaufort County consisted of nine  
members, with three elected at large and six elected from districts for two  
year terms; and

WHEREAS, There has not been a referendum held in Beaufort County  
to determine a form prior to July 1, 1976.

NOW THEREFORE BE IT RESOLVED in accordance with Section 14-3701 (b)  
that Beaufort County hereby adopts the Council-Administrator form of  
government.

BE IT FURTHER RESOLVED that the County Council shall be composed  
of nine members with three elected at large and six elected from districts  
for two year terms.

ADOPTED THIS 28th Day of June, 1976.

WITNESSES:

COUNTY COUNCIL OF BEAUFORT COUNTY

*Victoria Gardner*

By:

*Arthur Horne*  
Arthur Horne, Chairman

*Gjerdovd Spieler*

Attest:

*Nancy A. Markovich*  
Nancy A. Markovich, Clerk to Council

STATE OF SOUTH CAROLINA

)

CERTIFICATE OF INCUMBENCY

)

COUNTY OF BEAUFORT

)

I, the undersigned Clerk of Court for Beaufort County, South Carolina, do hereby certify that:

1. Sharon P. Burris is Auditor of Beaufort County, South Carolina, her term of office as such having commenced on July 1, 2006 and will expire on June 30, 2010.

2. Joy Logan is Treasurer of Beaufort County, South Carolina, her term of office as such having commenced on July 1, 2006 and will expire on June 30, 2010.

3. I, Elizabeth Smith, am Clerk of Court for Beaufort County, South Carolina, my term of office having commenced on January 1, 2005 and will expire on December 31, 2008.

In witness whereof, I have hereunto set my hand this 10<sup>th</sup> day of March, 2009.



---

Clerk of Court for Beaufort County, South Carolina



STATE OF SOUTH CAROLINA

)

COUNTY OF BEAUFORT

)

)

CERTIFICATE OF INCUMBENCY

I, the undersigned Clerk to the County Council (the "Council") of Beaufort County, South Carolina (the "County"), do hereby certify, that:

1. The following constitute the members of the County Council, and the current terms of such members are as follows:

<u>Name</u>	<u>Term Began</u>	<u>Term Expires</u>
Wm. Weston J. Newton	1/2007	12/2010
Rick Caporale	1/2007	12/2010
Steven Baer	1/2007	12/2010
Stewart H. Rodman	1/2007	12/2010
William L. McBride	1/2009	12/2012
Gerald Dawson	1/2009	12/2012
Paul Sommerville	1/2007	12/2010
Herbert N. Glaze	1/2009	12/2012
Brian Flewelling	1/2009	12/2012
Jerry Stewart	1/2007	12/2010
Laura Van Harten	1/2007	12/2010

2. Wm. Weston J. Newton is Chairman of the County Council, his term of office as Chairman having commenced on January 2, 2003, and will expire on December 31, 2010.

3. Gary Kubic is County Administrator, his appointment as such having commenced on January 5, 2004, and will expire at the pleasure of the Council.

4. David Starkey is the Chief Financial Officer of the County, and has been serving as such since January 2009.

In witness whereof, I have hereunto set my hand and the official seal of the County this 10th day of March, 2009.

Clerk to County Council, Beaufort County,  
South Carolina

(SEAL)

I, the undersigned Wm. Weston J. Newton, Chairman of the Council, hereby certify that Suzanne M. Rainey is presently Clerk of the Council, her term of office having commenced March 24, 1986, and will expire at the pleasure of the Council.

Chairman, County Council, Beaufort County,  
South Carolina

STATE OF SOUTH CAROLINA     )  
  )  
COUNTY OF BEAUFORT         )     CERTIFICATE OF AUDITOR

I, the undersigned, Auditor of Beaufort County, South Carolina (the "County"), do hereby certify that according to the records of the County the assessed value of all taxable property in the County as of June 30, 2008, is \$1,660,160,322.

In witness whereof, I have hereunto set my hand this 10th day of March, 2009.



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Auditor, Beaufort County, South Carolina

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ORDINANCE 2006/3

ORDERING A REFERENDUM IN BEAUFORT COUNTY, SOUTH CAROLINA, TO SUBMIT THE QUESTION WHETHER THE COUNTY SHALL ISSUE NOT EXCEEDING \$50,000,000 AGGREGATE PRINCIPAL AMOUNT GENERAL OBLIGATION BONDS FOR THE SPECIFIED PURPOSE OF CONTINUING THE BEAUFORT COUNTY RURAL AND CRITICAL LANDS PRESERVATION PROGRAM; PROVIDING FOR THE FORM OF THE BALLOT QUESTION TO BE USED; PROVIDING FOR NOTICE OF THE REFERENDUM; AND PROVIDING FOR ALL OTHER THINGS NECESSARY TO SUBMIT THE AFORESAID QUESTION.

Adopted By

THE COUNTY COUNCIL  
OF  
BEAUFORT COUNTY, SOUTH CAROLINA

THE 23rd DAY OF JANUARY, 2006

---

Certified True Copy  
Clerk to Council  
Beaufort County, SC  
By: *Suzanne M. Finney*  
Suzanne M. Finney  
Date: *February 14, 2006*

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Appendix A	Copy of Beaufort County Ordinance 99-19, The Beaufort County Rural and Critical Land Preservation Ordinance, as amended	
Appendix B	Form of Ballot	
Appendix C	Form of Notice of Referendum	

**ORDINANCE**

**ORDERING A REFERENDUM IN BEAUFORT COUNTY, SOUTH CAROLINA, TO SUBMIT THE QUESTION WHETHER THE COUNTY SHALL ISSUE NOT EXCEEDING \$50,000,000 AGGREGATE PRINCIPAL AMOUNT GENERAL OBLIGATION BONDS FOR THE SPECIFIED PURPOSE OF CONTINUING THE BEAUFORT COUNTY RURAL AND CRITICAL LANDS PRESERVATION PROGRAM; PROVIDING FOR THE FORM OF THE BALLOT QUESTION TO BE USED; PROVIDING FOR NOTICE OF THE REFERENDUM; AND PROVIDING FOR ALL OTHER THINGS NECESSARY TO SUBMIT THE AFORESAID QUESTION.**

WHEREAS, Beaufort County is, and has been, experiencing the largest population growth rate of any county in the State of South Carolina; and

WHEREAS, the Beaufort County Council finds exigent circumstances exist necessitating the need to provide funding sufficient to continue the land preservation and conservation program known as the Beaufort County "*Rural and Critical Lands Preservation*" program (the "Program") as enacted by Beaufort County Ordinance 99-19, as amended; and

WHEREAS, heretofore, the Program has been extraordinarily successful under the stewardship of the citizen advisory committee, the Beaufort County "*Rural and Critical Lands Preservation Board*," (the "Board") which carries out the Program with the advice, consent and final approval of the Beaufort County Council; and

WHEREAS, in the last five years, interests in nearly 10,000 acres of land have been acquired by the County under the Program with the initial funding providing therefore; and

WHEREAS, in order to continue the Program, additional funding is necessary; and

WHEREAS, it is the desire of the County Council to place on the November 7, 2006, general election ballot a referendum question which, if approved by a majority vote of the qualified electors of Beaufort County, would authorize an issue of not to exceed \$50,000,000 in general obligation bonds designated exclusively for use in the Program,

**NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE COUNTY COUNCIL OF BEAUFORT COUNTY, AND IT IS ORDAINED BY THE AUTHORITY OF SAID COUNCIL THAT:**

**SECTION 1. Findings.** The Beaufort County Council (the "Council"), as the governing body of the County of Beaufort, South Carolina (the "County"), hereby finds and determines:

(a) Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), provides that Counties of the State shall have the power to incur bonded indebtedness in such manner and upon such terms and conditions as the General Assembly may have heretofore or may hereafter prescribe.

(b) Article X, Section 14, subsection (6) of the Constitution provides that if general obligation debt is authorized by a majority vote of the qualified electors of the County voting in a referendum authorized by law, there shall be no conditions or restrictions limiting the incurring of such indebtedness except (i) those restrictions and limitations imposed in the authorization to incur such indebtedness; (ii) such general obligation debt shall be issued within five years of the date of such referendum; and (iii) general obligation debt may be incurred only for a purpose which is a public purpose and which is a corporate purpose of the County and such debt shall mature within 40 years from the time such indebtedness shall be incurred.

(c) The provisions of Title 11, Chapter 27, Section 40, Code of Laws of South Carolina, 1976, as amended (the "Code"), empower the County Council to order any such referendum as is required by Article X of the Constitution, to prescribe the notice thereof and to conduct or cause to be conducted such referendum in the manner prescribed by Title 7 Code of Laws of South Carolina, 1976.

(d) The County Council finds that additional funding is needed in order to continue land acquisition under the Program enacted by Beaufort County Ordinance 99-19, as amended, and that in addition to the use of other funds available, the costs of the Program must be defrayed with the proceeds of general obligation bonds of the County.

(e) The amount of general obligation bonds required for such purposes exceeds the County's present constitutional debt limitation unless the question of issuing such bonds is submitted to and approved by the qualified electors of the County.

(f) It is in the best interest of the County for the County Council to order a referendum to be held in the County to submit to the qualified electors of the County the question of whether the County shall be empowered to issue not exceeding \$50,000,000 aggregate principal amount of general obligation bonds for the purpose of funding the Program and costs of issuance of such bonds, including counsel fees.

(g) In order to comply with 42 U.S.C. § 1973c, Section 5 of the Voting Rights Act, the County Council must seek pre-clearance from the United States Department of Justice, Voting Rights Division, for conducting the referendum. The request for pre-clearance must be received by the Department of Justice more than 60 days prior to the referendum.

(h) The County Council finds that immediate funding measures must be undertaken as soon as feasible in order to avoid escalating land costs and lost acquisition opportunities that would be detrimental to the Program and the citizens of the County and has, therefore, determined that a referendum shall be held on November 7, 2006. Therefore, the County Council has determined to adopt this Ordinance to order the holding of a referendum, to authorize the submission of a request for pre-clearance pursuant to the Voting Rights Act, to prescribe the form of notice of election, and to authorize publication of the same.

**SECTION 2. *Use of Bond Proceeds.*** The Program, subject to review and modification by the County Council as circumstances warrant, was approved by the County Council substantially in the form set forth in Appendix A consisting of a copy of Beaufort County Ordinance 99-19 which is incorporated by reference herein as if set forth verbatim.

**SECTION 3. *Order to Hold Referendum.*** Pursuant to the aforesaid provisions of the Constitution and laws of the State of South Carolina, there is hereby ordered a referendum to be held in the County (the "Referendum") on November 7, 2006, at which Referendum there shall be submitted to all persons residing in the County and qualified to vote under the Constitution and laws of the State of South Carolina the question of whether the County shall be empowered to issue, either at one time as a single issue or from time to time as several separate issues, general obligation bonds of the County in the aggregate principal amount of not to exceed \$50,000,000 for the purpose of funding the costs of the Program as provided herein and related costs which question shall be substantially in the form set forth in Appendix B, with such changes, if any, as may be deemed necessary by the appropriate state and local officials upon the concurrence of the Chairman of the County Council.

Pursuant to Title 7, Chapter 13, Section 355, the Referendum question shall be submitted to the Beaufort County Board of Elections and Voter Registration to be placed on the ballot no later than 12:00 noon on August fifteenth or, if August fifteenth falls on Saturday or Sunday, not later than 12:00 noon on the following business day.

**SECTION 4. *Voting, Polling Places and Hours of Election.*** The voting precincts in the County for the Referendum shall be those designated pursuant to Section 7-7-110 of the Code of Laws of South Carolina, 1976, as amended. The polling places for each of such precincts shall be designated by the Beaufort County Voter Registration and Elections Board (the "Elections Board").

The polls shall be opened at 7:00 a.m. and closed at 7:00 p.m. on the date fixed for the Referendum and shall be held open during said hours without intermission or adjournment.

**SECTION 5. *Ballots.*** The Referendum shall be conducted using either voting machines or paper ballots as provided by State law. Upon approval by the Elections Board, the form of ballots to be used in the Referendum and the instructions to voters appearing thereon shall be in substantially the form set forth in Appendix B with such other changes as may be deemed necessary by the appropriate state and local officials upon concurrence of the Chairman of the County Council.

**SECTION 6. *Qualifications of Voters.*** Every person offering to vote must be at least 18 years of age on the date of the Referendum, must reside in the County and must be duly registered on the books of registration for Beaufort County as an elector in the precinct in which he or she resides and offers to vote on or before the date on which said books of registration are closed for the Referendum, and must present his or her registration certificate or valid South Carolina driver's license or other form of identification containing a photograph issued by the South Carolina Department of Public Safety, if not licensed to drive. Any registered elector who meets the requirements set forth in the preceding sentence and who has moved his or her place of residence within the County after the date on which said books of registration are closed for the Referendum, but before the date of the Referendum, shall be entitled to vote in his or her previous precinct of residence in the Referendum.

**SECTION 7. *Notice of Referendum.*** A Notice of Referendum substantially in the form set forth in Appendix C, shall be published in compliance with the provisions of Sections 7-13-35 and 4-15-50 of the Code of Laws of South Carolina, 1976, as amended, not less than 60 days prior to the Referendum, not later than two weeks after such first notice is published, and once not less than 15 days prior to the occasion set for the holding of the Referendum.

The Elections Board is authorized to change any of the locations of polling places for the Referendum as deemed necessary or advisable. Appropriate changes are to be made to the Notice of Referendum.

**SECTION 8. *Voter Registration and Elections Board.*** A certified copy of this Resolution shall be filed with the Elections Board accompanied by written notice from the Chairman of the County Council establishing the date for the Referendum as November 7, 2006. The Elections Board is hereby requested as follows:

- (a) To join in the action of the County in providing for the Notice of Referendum in substantially the form contained herein;
- (b) To prescribe the form of a ballot to be used in the Referendum;
- (c) To arrange for polling places for each precinct, or any part of a precinct within the County;
- (d) To appoint Managers of Election;
- (e) To provide a sufficient number of ballots or voting machines, as the case may be, for the Referendum;
- (f) To conduct the Referendum, receive the returns thereof, canvass such returns, declare the results thereof, and certify such results to the County Council; and
- (g) To take other steps and prepare such other means as shall be necessary or required by law in order to properly conduct the Referendum.

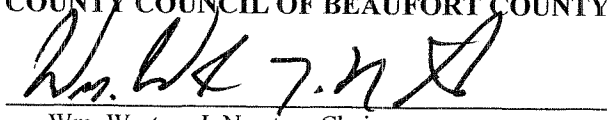
**SECTION 9. *Pre-clearance Application.*** Request for pre-clearance of the Referendum pursuant to the Section 5 of the Voting Rights Act shall be submitted on behalf of the County in a timely fashion by counsel.

**SECTION 10. *Applicability and Effective Date.*** This Ordinance shall not be effective until it is reviewed and pre-clearance is granted by the United States Justice Department pursuant to Section 5 of the Voting Rights Act of 1965, as amended. This Ordinance shall become effective upon approval and, or, other indication of compliance with the Voting Rights Act of 1965, as amended, by the United States Department of Justice. Upon compliance with the provisions of the Voting Rights Act, this Ordinance shall be effective immediately and shall govern the election for the County of Beaufort, South Carolina.

**SECTION 11. Severability.** If any part of this Ordinance is held by a court of competent jurisdiction to be unconstitutional, illegal, or invalid for any reason, it shall be construed to have been the legislative intent of the County Council of Beaufort County, South Carolina, to pass this Ordinance without such unconstitutional, illegal or invalid provision, and the remainder of this Ordinance shall be deemed and held to be constitutional, lawful and valid as if such portion had not been included. It this Ordinance or any provision thereof is held by a court of competent jurisdiction to be inapplicable to any person, group of persons, property, kind of property, circumstances or set of circumstances, such holding shall not affect the applicability thereof to any other persons, property or circumstances.

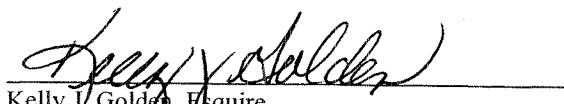
**APPROVED AND ADOPTED BY THE COUNTY COUNCIL OF BEAUFORT COUNTY, SOUTH CAROLINA ON THIS 23RD DAY OF JANUARY, 2006.**

COUNTY COUNCIL OF BEAUFORT COUNTY



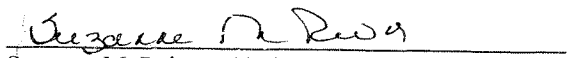
Wm. Weston J. Newton, Chairman

APPROVED AS TO FORM

  
\_\_\_\_\_  
Kelly J. Golden, Esquire  
Beaufort County Staff Attorney

(SEAL)

ATTEST:

  
\_\_\_\_\_  
Suzanne M. Rainey, Clerk to Council

First Reading: December 12, 2005  
Second Reading: January 9, 2006  
Public Hearing: January 23, 2006  
Third and Final Reading: January 23, 2006



**APPENDIX A**  
**COPY OF BEAUFORT COUNTY ORDINANCE 2006/2**  
**THE BEAUFORT COUNTY RURAL AND CRITICAL LAND PRESERVATION ORDINANCE, AS**  
**AMENDED**

## **DIVISION 1. GENERALLY**

### **Sec. 94-61. Title.**

This article shall be known as the Rural and Critical Lands Preservation Ordinance.

(Ord. No. 2006/2, 1-9-2006)

### **Sec. 94-62. Declaration of purpose.**

It is the purpose of this article to:

- (1) Provide a means by which rural and critical lands may be protected and enhanced as economic and environmental resources of major importance;
- (2) Encourage landowners to make a voluntary longterm commitment to rural and critical land protection by offering landowners financial incentives and security of land use;
- (3) Preserve open space and protect critical and natural resources;
- (4) Leverage state, federal, local, and private conservation efforts and development rights purchase funds and protect the investment of taxpayers in purchased and donated conservation easements;
- (5) Provide a means whereby rural landowners can maintain and preserve the rural character of their land through land conservation;
- (6) Provide compensation to landowners in exchange for their relinquishment of the right to develop their private property;
- (7) Reduce and defer the need for major urban infrastructure improvements in the rural areas of the county and the expenditure of public funds for such improvements through land conservation;
- (8) Provide for the purchase of fee simple interests in lands deemed critical to provide for the protection of the natural resources, historic and cultural significance, regional or local passive recreation potential, viewscapes or lands suitable for public use; and
- (9) Provide for purchase of fee simple interest in lands threatened by development, which if it occurs will have detrimental effects on land use patterns, traffic, stormwater runoff, water quality or other conservation objectives.

(Ord. No. 2006/2, 1-9-2006)

### **Sec. 94-63. Findings.**

For the purposes of this article, the county council finds as follows:

- (1) Rural and critical lands in many parts of the county are under significant development pressure from expanding urban areas;

- (2) This urban pressure takes the form of scattered development in wide belts around urban areas, and brings conflicting land uses into juxtaposition, creates high costs for public services, and stimulates land speculation;
- (3) Many of the rural and critical lands in the county are in jeopardy of being lost due to these activities;
- (4) These rural and critical lands constitute unique and irreplaceable land resources of countywide importance;
- (5) There are additional critical lands which are also valued natural and ecological resources which provide open space for wildlife habitat, clean air, clean water, groundwater recharge, and protection of cultural resources;
- (6) It is the declared policy of the county to provide a voluntary program to acquire or otherwise permanently protect rural lands and other lands containing critical natural, cultural and historic resources;
- (7) It is the policy of the county that rural and critical lands are valued natural and ecological resources which provide certain needed open space for wildlife habitat, clean air, clean water, groundwater recharge, and protection of historic and cultural resources; and
- (8) It is the policy of the county to provide opportunities, through acquisition of development rights or conservation easements, to offer opportunities to landowners to protect agricultural lands so that they may continue to farm the land, as well as to acquire such rights to protect other parcels where the landowner wishes to retain an ownership interest.

(Ord. No. 2006/2, 1-9-2006)

#### **Sec. 94-64. Definitions.**

The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

*Conservation easement* means a nonpossessory interest in land, the terms of which restrict or prevent development or improvement of the land.

*Critical lands* means any lots, tracts, parcels or areas within the county that possess unique, significant, or important characteristics as may be identified by the Beaufort Council Rural and Critical Lands Preservation Board and subject to final approval by the county council. Unique, significant, or important characteristics include but are not limited to protection of cultural and historic resources and sites, the potential for medium to high density development, the ability to use the land for walking or cycling trails, the ability to use the land for public access to waterways, the ability of the land to be used for the preservation of public views of waterways or other scenic vistas, the quality of the land for purposes of a wildlife sanctuary, or such other and further characteristics which may be used to further the goals of the council.

*Development right* means the right to legally develop or subdivide property under current county codes and ordinances. The term includes but is not limited to the right to develop property for any commercial, industrial or residential use except as expressly permitted by this article and as further defined by article VIII of chapter 106 pertaining to zoning and development standards, as adopted and amended by the county council.

*Landowner* means the record owner(s) of the land or the authorized contract purchaser of the land.

*Rural land* means those areas that are zoned for agricultural or farming uses, or which are being used, or which have the ability to be used, for such purposes.

(Ord. No. 2006/2, 1-9-2006)

**Cross references:** Definitions generally, § 1-2.

Secs. 94-65--94-90. Reserved.

## **DIVISION 2. COUNTY RURAL AND CRITICAL LANDS PRESERVATION BOARD\***

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**\*Cross references:** Boards and commissions, § 2-191 et seq.

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### **Sec. 94-91. Appointment.**

An 11-member county rural and critical lands preservation board shall be appointed by the county council. One member shall be appointed from each of the 11 county council districts.

(Ord. No. 2006/2, 1-9-2006)

### **Sec. 94-92. Officers.**

The county rural and critical lands preservation board shall elect annually one member of the board to serve as chairman and one member to serve as vice chairman.

(Ord. No. 2006/2, 1-9-2006)

**Cross references:** Officers and employees, § 2-56 et seq.

### **Sec. 94-93. Terms.**

The terms of the initial appointees to the county rural and critical lands preservation board shall coincide with the expiration of the term of the county council district representative who serves the district which the appointee has been selected to represent. Thereafter, all members shall be appointed for four-year terms. A vacancy in the membership must be filled for the unexpired term in the same manner as the initial appointment. The membership is subject to division 1 of article V of chapter 2 of this Code regulating boards and commissions and appointments thereto as well as the county template ordinance.

(Ord. No. 2006/2, 1-9-2006)

### **Sec. 94-94. Compensation.**

Members of the county rural and critical lands preservation board shall serve without salary, but the county council shall entitle each member to reimbursement for his actual and necessary mileage expenses incurred in the performance of his official duties.

(Ord. No. 2006/2, 1-9-2006)

**Sec. 94-95. Conflicts of interest.**

No member of the county rural and critical lands preservation board shall be disqualified by reason of his membership from selling any parcel or the development rights of any parcel in which he has a financial interest, but any member with a direct or indirect financial interest in such parcel shall recuse himself from any board vote, discussion, or decision regarding such parcel.

(Ord. No. 2006/2, 1-9-2006)

**Sec. 94-96. Rules of procedure.**

The county rural and critical lands preservation board shall promulgate procedures necessary to promote the efficient, uniform, and countywide administration of this article.

(Ord. No. 2006/2, 1-9-2006)

**Sec. 94-97. Powers and duties.**

The county rural and critical lands preservation board shall have, but is not limited to, the following powers and duties:

- (1) Develop and recommend to county council, for adoption by resolution, a set of Beaufort County Rural and Critical Lands Preservation Program Policies and Guidelines to guide the identification, prioritization, and management of parcels to be acquired through the county rural and critical [lands] preservation program. The board may make recommendations to county council for amendments to the policies and guidelines as the need arises;
- (2) Identify, prioritize and recommend to county council rural and critical lands to be acquired through purchase of development rights, the option to purchase development rights, the fee simple purchase of property, or the exchange and transfer of title to parcels, as provided for in the county council's adopted Beaufort County Rural and Critical Lands Preservation Program Policies and Guidelines;
- (3) Promote, educate and encourage landowners to participate in the county rural and critical lands preservation program; and
- (4) Perform such other duties as may be assigned by county council.

(Ord. No. 2006/2, 1-9-2006)

**Cross references:** Administration, ch. 2.

Secs. 94-98--94-168. Reserved.

**APPENDIX B  
FORM OF BALLOT**

OFFICIAL BALLOT -- REFERENDUM  
AUTHORIZATION FOR ISSUANCE OF NOT TO EXCEED  
\$50,000,000 GENERAL OBLIGATION BONDS  
TO FUND THE COST OF CONTINUANCE OF THE  
BEAUFORT COUNTY RURAL AND CRITICAL LAND PRESERVATION PROGRAM  
AND MATTERS RELATING THERETO

BEAUFORT COUNTY, SOUTH CAROLINA

Precinct \_\_\_\_\_  
No. \_\_\_\_\_

\_\_\_\_\_  
Initials of Issuing Officer

Local Question 1

Shall the County be empowered to issue, either at one time as a single issue or from time to time as several separate issues, general obligation bonds of the County in the aggregate principal amount not to exceed \$50,000,000, the proceeds of which shall be used for the purpose of defraying the costs of the County Rural and Critical Land Preservation Program which preserves land by purchasing open land, development rights and conservation easements in all areas of Beaufort County, in order to alleviate traffic congestion in high growth areas and to protect water quality, natural lands, wildlife areas, farmland, parkland, coastal areas, rivers and wetlands, legal fees and costs of issuance of such bonds, provided that all expenditures shall be prioritized based upon the official criteria and ranking system established for the County and subject to annual audit?

Yes, in favor of the question                      [ ]

No, opposed to the question                      [ ]

If you are in favor of the question, place a check or cross-mark in the square after the words "Yes, in favor of the question"; if you are opposed to the question, place a check or cross-mark in the square after the words "No, opposed to the question."



Court, Hilton Head Island, South Carolina 29928. All new registration applicants must provide a social security number and photo identification or other document that shows the applicant's name and address in Beaufort County. Mailed registration applications should attach a copy of the required forms of identification. All applicants not providing the required forms of identification will be required to provide the information prior to casting a ballot. Any such registered elector who has moved his or her place of residence within the County after the date on which the books of registration are closed for the Referendum, but before the date of the Referendum, shall be entitled to vote in his or her previous precinct of residence in the Referendum; provided, however, in case any registered elector shall have moved from one precinct in the County to another precinct in the County within 30 days prior to November 7, 2006, and shall have surrendered his or her voter registration card and has received a new certificate, such elector may vote in the precinct provided for by such new certificate. Persons who become of age during the 30-day period preceding the Referendum shall be entitled to register before the closing of the books if otherwise qualified.

Any person eligible to register to vote in the Referendum who has been discharged or separated from his or her service in the Armed Forces of the United States and has returned home too late to register at the time when registration is required is entitled to register for the purpose of voting in the Referendum after the discharge or separation from service up to 5:00 p.m. on the day of the Referendum. A copy of his or her discharge papers is required. The application for registration must be made at the office of the Beaufort County Board of Elections and Voter Registration, located at 102 Industrial Village Road, Beaufort, South Carolina 29902, or at 1 Town Center Court, Hilton Head Island, South Carolina 29928, and if qualified, the person shall be allowed to cast a vote on the Referendum at the Beaufort County Board of Elections and Voter Registration office, and shall be issued a registration certificate stating the precinct in which he or she is entitled to vote in future elections.

The polls shall be open from 7:00 a.m. until 7:00 p.m. at the polling places designated below and shall be open during these hours without intermission or adjournment. An appropriate number of Direct Recording Electronic Voting systems will be provided at the polling places for the casting of ballots on the aforesaid question. Managers of Election will be appointed by the Beaufort County Board of Elections and Voter Registration. The Managers of Election shall see that each person offering to vote takes the oath that he or she is qualified to vote at the Referendum according to the Constitution of this State and that he or she has not voted before in this Referendum. The precincts within the County and locations of the several polling places for the Referendum are as follows:

### BEAUFORT COUNTY VOTING PRECINCTS

PRECINCTS	LOCATIONS	TELEPHONE NUMBER
Beaufort 1	Neighborhood Activity Center Green Street Gym 1001 Hamar Street Beaufort, South Carolina	843-525-7066
Beaufort 2	Neighborhood Activity Center Green Street Gym 1001 Hamar Street Beaufort, South Carolina	843-525-7066
Beaufort 3	Neighborhood Activity Center Green Street Gym 1001 Hamar Street Beaufort, South Carolina	843-525-7066
Burton 1A	Broad River Elementary School 474 Broad River Boulevard Beaufort, South Carolina	843-322-8400
Burton 1B	Robert Smalls Middle School 43 W.K. Alston Road Beaufort, South Carolina	843-322-2500



Burton 1C	Joseph Shanklin Elementary School 121 Morrall Drive Beaufort, South Carolina	843-466-3400
Burton 2A	Shell Point Elementary School 81 Savannah Highway Beaufort, South Carolina	843-322-2800
Burton 2B	District Service Center (Old Name) District Instructional Support Center ( <b>Name Change – New</b> ) (Old Battery Creek School) 2900 Mink Point Boulevard Beaufort, South Carolina	843-322-0744
Burton 2C	District Service Center (Old Name) District Instructional Support Center ( <b>Name Change – New</b> ) (Old Battery Creek School) 2900 Mink Point Boulevard Beaufort, South Carolina	843-322-0744
Burton 3	Robert Smalls Middle School 43 W.K. Alston Road Beaufort, South Carolina	843-322-2500
Chechessee	Comprehensive Health Center (Meeting Room) 721 Okatie Highway Okatie, South Carolina	843-987-7400
Dale / Lobeco	James J. Davis Elementary School 364 Keans Neck Road Beaufort, South Carolina	843-466-3600
Lady's Island 1A	Lady's Island Middle School 30 Cougar Drive Beaufort, South Carolina	843-322-3100
Lady's Island 1B	Lady's Island Elementary School 73 Chowan Creek Bluff Beaufort, South Carolina	843-322-2240
Lady's Island 2A	Coosa Elementary School 45 Middle Road Beaufort, South Carolina	843-322-6100
Lady's Island 2B	Coosaw Island Community Center (David Smith Coosaw Island Sams Point Community center – <b>Name Change</b> ) 140 Coosaw River Drive Beaufort, South Carolina	843-525-0822
Lady's Island 3A	Broomfield Recreation Center 205 Brickyard Point Road Beaufort, South Carolina	843-525-4094
Lady's Island 3B	Lady's Island Airport 39 Airport Circle Beaufort, South Carolina	843-770-2003
Mossy Oaks 1A	Corner Stone Christian Church (Formerly Central Christian Church) 2301 First Boulevard	843-525-9228

	Beaufort, South Carolina	
Mossy Oaks 1B	Beaufort Middle School 2501 Mossy Oaks Road Beaufort, South Carolina	843-322-5700
Mossy Oaks 2	Mossy Oaks Elementary School 2510 Mossy Oaks Road Beaufort, South Carolina	843-322-2900
Port Royal 1	Port Royal Fire Station 1750 Paris Avenue Port Royal, South Carolina	843-986-2248
Port Royal 2	Port Royal Fire Station 1750 Paris Avenue Port Royal, South Carolina	843-986-2248
Seabrook 1	Beaufort County Public Works ( <b>Road and Bridges Department</b> ) 120 Shanklin Road Beaufort, South Carolina	843-846-3910
Seabrook 2	Seabrook Community Center – ( <b>Subject to Change</b> ) 56 Center Road Seabrook, South Carolina Whale Branch Middle School – ( <b>Tentative New Site</b> ) 2009 Trask Parkway Beaufort, South Carolina	843-846-3612
Seabrook 3	Grays Hill Community Center 45 Bruce K. Smalls Boulevard Beaufort, South Carolina	TBA (To Be Announced)
Sheldon 1	Elijah Washington Health Clinic 211 Paige Point Road Sheldon, South Carolina	843-846-8148
Sheldon 2	Booker T. Washington Community Center 182 Booker T. Washington Circle Big Estate, South Carolina	843-846-3960
St. Helena 1A	Penn Center, Inc. ( <b>Frissell Community House</b> ) 6 Penn Center Circle West St. Helena Island, South Carolina	843-838-2432
St. Helena 1B	Scott Community Center 242 Scott Hill Road St. Helena Island, South Carolina	843-838-8300
St. Helena 1C	Polawanna Fire Station 24 ( <b>Lady's Island / St. Helena Station 24 – Name Change</b> ) 100 Polowanna Road St. Helena Island, South Carolina	843-838-8308
St. Helena 2A	St. Helena Elementary School 1025 Sea Island Parkway St. Helena Island, South Carolina	843-838-0300
St. Helena 2B	Seaside Community Center 130 Seaside Road St. Helena Island, South Carolina	843-838-8118
St. Helena 2C	Fripp Island Community Center – All Faith Chapel 205 Tarpon Boulevard	843-838-2207

	Fripp Island, South Carolina	
Bluffton 1A	Bluffton Town Hall 20 Bridge Street Bluffton, South Carolina	843-706-4500
Bluffton 1B	The Bluffton Township District Station 30 2 Bridge Street Bluffton, South Carolina	843-757-2800
Bluffton 1C	Bluffton Town Hall 20 Bridge Street Bluffton, South Carolina	843-706-4500
Bluffton 1D (New Precinct)	M.C. Riley Elementary School 200 Burnt Church Road Bluffton, South Carolina	843-706-8300
Bluffton 2A	M.C. Riley Elementary School 200 Burnt Church Road Bluffton, South Carolina	843-706-8300
Bluffton 2B	Bluffton Elementary School 160 H.E. McCracken Circle Bluffton, South Carolina	843-706-8500
Bluffton 2C	Bluffton Elementary School 160 H.E. McCracken Circle Bluffton, South Carolina	843-706-8500
Bluffton 3A	Bluffton Recreation Center Ulmer Road Bluffton, South Carolina	843-757-1503
Bluffton 3B	M.C. Riley Elementary School 200 Burnt Church Road Bluffton, South Carolina	843-706-8300
Bluffton 4A	H.E. McCracken Middle School 250 McCracken Circle Bluffton, South Carolina	843-706-8700
Bluffton 4B	H.E. McCracken Middle School 250 McCracken Circle Bluffton, South Carolina	843-706-8700
Bluffton 4C (New Precinct)	Bluffton Community Center Goethe Road Bluffton, South Carolina	TBA (To Be Announced)
Bluffton 5 (New Precinct)	Bluffton Elementary School 160 H.E. McCracken Circle Bluffton, South Carolina	843-706-8500
Palmetto Bluff (New Precinct)	Village of Palmetto Bluff 6 Boat House Street Bluffton, South Carolina	TBA (To Be Announced)
Belfair (New Precinct)	Belfair Activity Center 2 Summerton Drive Bluffton, South Carolina	TBA (To Be Announced)
Sun City 1A	Pinckney Hall 114 Sun City Lane Bluffton, South Carolina	843-705-4049
Sun City 1B	Pinckney Hall	843-705-4049

	114 Sun City Lane Bluffton, South Carolina	
Sun City 2	Pinckney Hall 114 Sun City Lane Bluffton, South Carolina	843-705-4049
Sun City 3A	Pinckney Hall 114 Sun City Lane Bluffton, South Carolina	843-705-4049
Sun City 3B (New Precinct)	Hidden Cypress 672 Col. Thomas Heyward Road Bluffton, South Carolina	TBA (To Be Announced)
Sun City 4A (New Precinct)	Hidden Cypress 672 Col. Thomas Heyward Road Bluffton, South Carolina	TBA (To Be Announced)
Sun City 4B (New Precinct)	Hidden Cypress 672 Col. Thomas Heyward Road Bluffton, South Carolina	TBA (To Be Announced)
Daufuskie	Daufuskie Fire Station 400 Haig Point Road Daufuskie, South Carolina	843-785-2116
Hilton Head 1A	Hilton Head Elementary School for the Creative Arts (Blue Building) 10 Wilborn Road Hilton Head Island, South Carolina	843-342-4380
Hilton Head 1B	Hilton Head Elementary School for the Creative Arts (Blue Building) 10 Wilborn Road Hilton Head Island, South Carolina	843-342-4380
Hilton Head 2A	Indigo Pines 110 Gardner Drive Hilton Head Island, South Carolina	843-342-3228
Hilton Head 2B	Hilton Head Recreation Association (Name Change) 20 Wilborn Road Hilton Head Island, South Carolina	843-681-7273
Hilton Head 2C (New Precinct)	Indigo Run Community Center Indigo Pines Plantation Hilton Head Island, South Carolina	TBA (To Be Announced)
Hilton Head 3	St. James Baptist Church Annex Beach City / Dillon Road Hilton Head Island, South Carolina	843-681-6446
Hilton Head 4A and 4B	The Cypress Club 20 Lady Slipper Lane Hilton Head Island, South Carolina	843-689-7000
Hilton Head 4C	Plantation House 235 Seabrook Drive Hilton Head Island, South Carolina	843-681-8090
Hilton Head 4D	Plantation House 235 Seabrook Drive Hilton Head Island, South Carolina	843-681-8090
Hilton Head 5A	Plantation House	843-681-8090

	235 Seabrook Drive Hilton Head Island, South Carolina	
Hilton Head 5B	Plantation House 235 Seabrook Drive Hilton Head Island, South Carolina	843-681-8090
Hilton Head 5C	Plantation House 235 Seabrook Drive Hilton Head Island, South Carolina	843-681-8090
Hilton Head 6A	First Presbyterian Church 540 William Hilton Parkway Hilton Head Island, South Carolina	843-681-3696
Hilton Head 6B	First Presbyterian Church 540 William Hilton Parkway Hilton Head Island, South Carolina	843-681-3696
Hilton Head 7A	Christ Lutheran Church 829 William Hilton Parkway Hilton Head Island, South Carolina	843-785-5560
Hilton Head 7B	Self Family Art Center ( <b>Old Name</b> ) Arts Center of Coastal Carolina ( <b>Name Change</b> ) 14 Shelter Cove Lane Hilton Head Island, South Carolina	843-686-3945
Hilton Head 8A	St. Luke's Episcopal Church 50 Pope Avenue Hilton Head Island, South Carolina	843-785-4099
Hilton Head 8B	St. Luke's Episcopal Church 50 Pope Avenue Hilton Head Island, South Carolina	843-785-4099
Hilton Head 9A	Central Church 975 William Hilton Parkway Hilton Head Island, South Carolina	843-686-5995
Hilton Head 9B	Central Church 975 William Hilton Parkway Hilton Head Island, South Carolina	843-686-5995
Hilton Head 10	Spanish Wells Club Pavilion 1 Brams Point Road Hilton Head Island, South Carolina	843-681-2819
Hilton Head 11	St. Andrews By-The-Sea UMC 20 Pope Avenue Hilton Head Island, South Carolina	843-785-4711
Hilton Head 12	The Seabrook of Hilton Head, Inc. 300 Woodhaven Drive Hilton Head Island, South Carolina	843-842-3747
Hilton Head 13	First Baptist Church 2100 South Forest Beach Drive Hilton Head Island, South Carolina	843-785-4478
Hilton Head 14	Sea Pines Plantation Club 100 North Sea Pines Drive Hilton Head Island, South Carolina	843-842-1498
Hilton Head 15A	Community Services Associates, Inc. 1785 Greenwood Drive	843-671-1343

	Hilton Head Island, South Carolina	
Hilton Head 15B	Sea Pines Plantation Club 100 North Sea Pines Drive Hilton Head Island, South Carolina	843-842-1498
Absentee / Fail Safe (Beaufort)	Beaufort County Board of Elections and Voter Registration Office 102 Industrial Village Road Beaufort, South Carolina	843-470-3752
Absentee / Fail Safe (Hilton Head)	Hilton Head Town Center 1 Town Center Court Hilton Head Island, South Carolina	843-341-4604

Voters who are visually impaired, who are physically handicapped, or who are unable to read or write are entitled to assistance in casting his or her ballot. Assistance may be given by anyone the voter chooses except his or her employer, an agent of his or her employer, or an officer or agent of his or her union. The Managers of Election must be notified if assistance is needed. Voters who are unable to enter his or her polling place due to physical handicap or age may vote in the vehicle in which he or she drove, or were driven. When notified, the Managers will help voters effectuate curbside voting provision. At least One (1) Direct Recording Electronic iVotronic audible ballot system will be provided at each precinct for use by disabled voters.

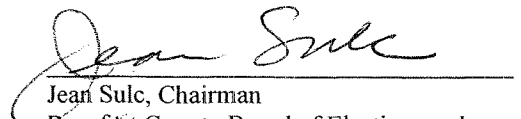
Registered voters may be eligible to vote by absentee ballot. Persons wishing more information concerning absentee balloting should contact the Beaufort County Board of Elections and Voter Registration, at 102 Industrial Village Road, Beaufort, South Carolina, Telephone 843-470-4752 or 843-470-3759 or at 1 Town Center Court, Hilton Head Island, South Carolina 29928, Telephone, 843-341-4604 or 843-341-4625.

The Beaufort County Board of Elections and Voter Registration shall hold a hearing on ballots challenged in the election on Friday, November 10, 2006, at 10:00 a.m., at the office of the Beaufort County Board of Elections and Voter Registration, 102 Industrial Village Road, Beaufort, South Carolina 29902, Telephone 843-470-3759.

The process of examining the mailed absentee ballot envelopes will begin at 2:00 p.m. on November 7, 2006, at the offices of the Beaufort County Board of Elections and Voter Registration, 102 Industrial Village Road, Beaufort, South Carolina, Telephone 843-470-3759.



Wm. Weston J. Newton, Chairman  
Beaufort County Council



Jean Sulc, Chairman  
Beaufort County Board of Elections and  
Voter Registration

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF BEAUFORT )

I, the undersigned, Clerk to Council of the Beaufort County Council, South Carolina (the "County Council"), do hereby certify that attached hereto is a true, correct and verbatim copy of an Ordinance duly enacted on the 23<sup>rd</sup> day of January, 2006, by the County Council, having been read three times at duly called and properly held public meetings at which a quorum of members attended and remained present throughout. Copies of the form of the documents referred to therein as presented to the meeting are on file in the offices of the County.

The Ordinance was enacted by unanimous vote of the members of the County Council. No member of the Beaufort County Council was absent from the meeting at the time the Ordinance was adopted.

WITNESS my hand this 13<sup>th</sup> day of February, 2006

Suzanne M. Rainey  
Clerk to Council, Beaufort County Council  
Suzanne M. Rainey

(SEAL)



U.S. Department of Justice  
Civil Rights Division

JKT:MSR:SMC:jdh  
DJ 166-012-3  
2006-5888

Voting Section - NWB  
950 Pennsylvania Avenue, NW  
Washington, DC 20530

October 11, 2006

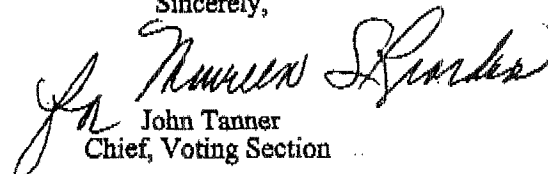
Kelly J. Golden, Esq.  
Staff Attorney  
P.O. Drawer 1228  
Beaufort, South Carolina 29901-1228

Dear Ms. Golden:

This refers to the procedures for conducting the November 7, 2006, special bond and tax election, for Beaufort County, South Carolina, submitted to the Attorney General pursuant to Section 5 of the Voting Rights Act, 42 U.S.C. 1973c. We received your submission on September 6, 2006.

The Attorney General does not interpose any objection to the specified change. However, we note that Section 5 expressly provides that the failure of the Attorney General to object does not bar subsequent litigation to enjoin the enforcement of the change. Procedures for the Administration of Section 5 of the Voting Rights Act (28 C.F.R. 51.41).

Sincerely,

  
John Tanner  
Chief, Voting Section



RESOLUTION

CERTIFYING AND DECLARING THE RESULTS OF THE GENERAL ELECTION OF NOVEMBER 7, 2006, LOCAL REFERENDUM QUESTION #1, AUTHORIZING THE ISSUANCE OF UP TO \$50,000,000 OF GENERAL OBLIGATION BONDS FOR THE PURPOSES OF PURCHASING REAL PROPERTY UNDER THE COUNTY'S RURAL AND CRITICAL LAND PROGRAM AND FILING THIS RESOLUTION WITH THE CLERK OF COURT FOR BEAUFORT COUNTY.

WHEREAS, in the general election of November 7, 2006, the citizens were asked to approve Local Referendum Question #1, authorizing the issuance of up to \$50,000,000 of general obligation bonds for the purposes of purchasing real property under the County's Rural and Critical Land program; and

WHEREAS, there were 28,882 votes in favor of the question and 9,229 votes in opposition to the question, the question was approved by the voters of Beaufort County; and

WHEREAS, these votes have been certified by the Beaufort County Board of Canvassers on November 10, 2006 and such certification filed with the State Election Commission.

NOW, THEREFORE, in accordance with Section 4-15-60 of the *Code of Laws of South Carolina*, 1976, as amended, the County Council of Beaufort County so certifies and declares the results of this Local Referendum Question #1 and files this resolution with the Clerk of Court for Beaufort County.

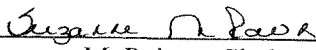
Dated this 11th day of December, 2006.

COUNTY COUNCIL OF BEAUFORT COUNTY

By: 

Wm. Weston J. Newton, Chairman

ATTEST:


  
Suzanne M. Rainey, Clerk to Council

STATE OF SOUTH CAROLINA     )  
   )  
 COUNTY OF BEAUFORT            )     CERTIFICATE OF TREASURER

I, the undersigned, Treasurer of Beaufort County, South Carolina (the "County"), hereby certify that the following constitutes the outstanding general obligation indebtedness of the County as of February 24, 2009.

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount Outstanding</u>
04-15-2001	4.25%-4.50%	02/01/2010-11	\$ 3,000,000
03-01-2002	4.00%-5.00%	02/01/2010-22	13,475,000
06-15-2003	2.25%-5.00%	02/01/2010-23	20,850,000
10-15-2004	3.00%-5.00%	02/01/2010-25	29,600,000
11-02-2006	3.50%-8.00%	03/01/2009-26	16,650,000
11-30-2006	4.00%-5.00%	03/01/2009-26	29,500,000
10-03-2007	4.00%-5.00%	03/01/2009-27	25,350,000
11-07-2007	4.00%-5.00%	02/01/2010-20	<u>17,255,000</u>
Total			\$155,680,000

In witness whereof, I have hereunto set my hand this 10<sup>th</sup> day of March, 2009.

  
 \_\_\_\_\_  
 Treasurer, Beaufort County, South Carolina

STATE OF )  
SOUTH CAROLINA ) AFFIDAVIT  
COUNTY OF BEAUFORT )


Personally appeared before me a Notary Public, in and for State and County, aforesaid, Sara Johnson Borton who being duly sworn according to law, deposes and says that she is the Publisher of *The Island Packet*, a newspaper published Sunday through Saturday every week in Beaufort County. **Notice of Public Hearing: County Council of Beaufort Aug. 25th; Principal amounts not exceeding \$46,500,000 (the "Notes")** was published in the issue(s) of The Island Packet on August 8, 2008.



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Sara Johnson Borton,  
Publisher

Subscribed and sworn to before  
me this this 11th day of August, 2008



---

Notary Public for South Carolina  
My Commission Expires September 5, 2010

10 Buck Island Road  
Bluffton, SC 29910

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**NOTICE OF PUBLIC  
HEARING**

Notice is hereby given that a public hearing will be held by the County Council of Beaufort County, South Carolina (the "County"), in the Bluffton Branch Library, 120 Palmetto Way, Bluffton, South Carolina, at 6:00 p.m. on Monday, August 25, 2008.

The purpose of the public hearing is to consider an Ordinance providing for the issuance and sale of General Obligation Bond Anticipation Notes of Beaufort County, South Carolina, in the principal amount of not exceeding \$46,500,000 (the "Notes"). The proceeds of the Notes will be used for the purposes of providing funds (i) to defray the costs of: the County Rural and Critical Land Preservation Program by purchasing open land, development rights and conservation easements in all areas of Beaufort County (the "Referendum Projects"); (ii) to pay the costs of certain capital projects approved by the County (the "Capital Projects") and (iii) to pay the costs of issuance of the Notes.

The proceeds of general obligation bonds to be issued by the County will be used to pay the principal and interest on the Notes. In addition, the full faith, credit, and taxing power of the County will be pledged for the payment of the principal of and interest on the Bonds and a tax, without limit, will be levied on and collected annually, in the same manner other County taxes are levied and collected, on all taxable property of the County sufficient to pay to principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

At the public hearing all taxpayers and residents of the County and any other interested persons who appear will be given an opportunity to express their views for or against the Ordinance and the issuance of the Bonds.

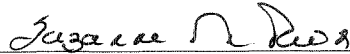
COUNTY COUNCIL OF  
BEAUFORT COUNTY,  
SOUTH CAROLINA

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF BEAUFORT )

CERTIFIED COPY OF ORDINANCE NO. 2008/34

I, the undersigned Clerk to the County Council (the "County Council") of Beaufort County, South Carolina (the "County"), do hereby certify that attached hereto is a copy of Ordinance No. 2008/34 entitled "ORDINANCE 2008/34 AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$48,755,000 OF GENERAL OBLIGATION BOND ANTICIPATION NOTES TO PROVIDE FUNDS FOR REFERENDUM PROJECTS AND CAPITAL PROJECTS OF THE COUNTY; FIXING THE FORM AND DETAILS OF THE NOTES; AUTHORIZING THE CHAIR OF COUNTY COUNCIL AND THE COUNTY ADMINISTRATOR OR THEIR DESIGNEES TO DETERMINE CERTAIN MATTERS RELATING TO THE NOTES; PROVIDING FOR THE PAYMENT OF THE NOTES AND THE DISPOSITION OF THE PROCEEDS THEREOF; AND OTHER MATTERS RELATING THERETO" (the "Ordinance"), which was enacted by the County Council at a meeting duly called and held September 8, 2008, at which a quorum was present and acting throughout, which Ordinance has been compared by me with the original thereof, and that such copy is a true, correct and complete copy thereof, and that such Ordinance has been duly enacted and has not been modified, amended or repealed and is in full force and effect on and as of the date hereof in the form attached hereto.

In witness whereof, I have hereunto set my hand this 10th day of March, 2009.



\_\_\_\_\_  
Clerk to County Council of Beaufort County,  
South Carolina

(SEAL)

**BEAUFORT COUNTY, SOUTH CAROLINA**

**ORDINANCE 2008/34**

**AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$48,755,000 OF GENERAL OBLIGATION BOND ANTICIPATION NOTES TO PROVIDE FUNDS FOR REFERENDUM PROJECTS AND CAPITAL PROJECTS OF THE COUNTY; FIXING THE FORM AND DETAILS OF THE NOTES; AUTHORIZING THE CHAIR OF COUNTY COUNCIL AND THE COUNTY ADMINISTRATOR OR THEIR DESIGNEES TO DETERMINE CERTAIN MATTERS RELATING TO THE NOTES; PROVIDING FOR THE PAYMENT OF THE NOTES AND THE DISPOSITION OF THE PROCEEDS THEREOF; AND OTHER MATTERS RELATING THERETO.**

**September 8, 2008**

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**AN ORDINANCE**

**AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$48,755,000 OF GENERAL OBLIGATION BOND ANTICIPATION NOTES TO PROVIDE FUNDS FOR REFERENDUM PROJECTS AND CAPITAL PROJECTS OF THE COUNTY; FIXING THE FORM AND DETAILS OF THE NOTES; AUTHORIZING THE CHAIR OF COUNTY COUNCIL AND THE COUNTY ADMINISTRATOR OR THEIR DESIGNEES TO DETERMINE CERTAIN MATTERS RELATING TO THE NOTES; PROVIDING FOR THE PAYMENT OF THE NOTES AND THE DISPOSITION OF THE PROCEEDS THEREOF; AND OTHER MATTERS RELATING THERETO.**

**BE IT ORDAINED BY THE COUNTY COUNCIL OF BEAUFORT COUNTY, SOUTH CAROLINA, AS FOLLOWS:**

**SECTION 1. *Findings.*** The County Council (the "County Council") of Beaufort County, South Carolina (the "County"), hereby finds and determines:

(a) Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), provides that counties may incur general obligation bonded indebtedness upon such terms and conditions as the General Assembly may prescribe by general law subject to the following limitations: (i) such debt must be incurred only for a purpose which is a public purpose and a corporate purpose for a county and (ii) unless excepted from the bonded debt limit, such debt may be issued in an amount not exceeding eight percent of the assessed value of all taxable property of such county (the "Bonded Debt Limit").

(b) Pursuant to Chapter 15, Title 4, Code of Laws of South Carolina 1976, as amended (the same being and hereinafter referred to as the "County Bond Act"), the governing body of any of the counties of the State may issue general obligation bonds for any authorized purpose and in any amount not exceeding such county's applicable Bonded Debt Limit.

(c) The County Bond Act provides that as a condition precedent to the issuance of bonds an election be held and result favorably thereto. Chapter 27, Title 11, Code of Laws of South Carolina 1976, as amended (the "Article X Enabling Act") provides that if an election be prescribed by the provisions of the County Bond Act, but is not required by the provisions of Article X, then in every such instance, no election need be held (notwithstanding the requirement therefor) and the remaining provisions of the County Bond Act shall constitute a full and complete authorization to issue bonds in accordance with such remaining provisions.

(d) The assessed value of all the taxable property in the County as of April 15, 2007, is \$1,586,137,424. Eight percent of the assessed value is \$126,890,994. As of the date hereof, the outstanding general obligation debt of the County subject to the limitation imposed by Article X, Section 14(7) of the Constitution is \$65,385,000. Thus, the County may incur not exceeding \$61,606,994 of additional general obligation debt within its Bonded Debt Limit.

(e) In a referendum (the "Referendum") held in the County on November 7, 2006, the following question was submitted to the qualified electors of the County:

Shall the County be empowered to issue, either at one time as a single issue or from time to time as several separate issues, general obligation bonds of the County in the aggregate principal amount not to exceed \$50,000,000, the proceeds of which shall be used for the



purpose of defraying the costs of the County Rural and Critical Land Preservation Program which preserves land by purchasing open land, development rights and conversation easements in all areas of Beaufort County, in order to alleviate traffic congestion in high growth areas and to protect water quality, natural lands, wildlife areas, farmland, parkland, coastal areas, rivers and wetlands, legal fees and costs of issuance of such bonds, provided that all expenditures shall be prioritized based upon the official criteria and ranking system established for the County and subject to annual audit?

The Referendum was duly conducted and a majority of the qualified electors of the County voted in favor of the issuance of the general obligation bonds.

(f) Article X, Section 15 of the Constitution further provides that general obligation bond anticipation notes may be issued in anticipation of the proceeds of general obligation bonds which may lawfully be issued under such terms and conditions that the General Assembly may prescribe by law.

(g) Pursuant to the provisions of Title 11, Chapter 17 of the Code of Laws of South Carolina, 1976, as amended ("Title 11, Chapter 17"), any county, whenever authorized by general or special law to issue bonds, may, pending the sale and issuance thereof, borrow in anticipation of the receipt of the proceeds of the bonds. Such provisions also provide that if any approval be necessary prior to the issuance of bonds by the county, the county must obtain the same approval prior to the issuance of temporary financing provided therein.

(h) The County Council finds that pending the issuance and sale of general obligation bonds it is necessary and in the best interest of the County to provide for the issuance and sale of general obligation bond anticipation notes of the County pursuant to the provisions of the Constitution and laws of the State of South Carolina for the purposes of providing funds: (i) to defray the costs of: the County Rural and Critical Land Preservation Program by purchasing open land, development rights and conversation easements in all areas of Beaufort County (the "Referendum Projects") as set forth on the attached Exhibit A; (ii) to pay the costs of certain capital projects approved by the County (the "Capital Projects") as set forth on the attached Exhibit A; and (iii) to pay the costs of issuance of the notes. The portion of the par amount of the notes in the maximum amount of \$20,000,000, the proceeds of which will be used for the Referendum Projects, will not count against the County's constitutional debt limit.

**SECTION 2. *Authorization and Details of Bonds.*** Pursuant to the provisions of the Constitution and laws of the State of South Carolina, there is hereby authorized to be issued general obligation bonds of the County in one or more series in an aggregate amount not exceeding \$51,000,000. The bonds authorized hereunder shall be identified as "General Obligation Bonds of Beaufort County, South Carolina" (the "Bonds"). The proceeds of the Bonds will be used to pay the outstanding notes authorized herein. In order to reduce issuance costs, the Bonds may be issued as part of another issue of bonds comprising the Bonds and separately authorized bonds. The Bonds may be designated with such further series description and designation as shall be determined by the County Administrator of the County prior to any sale. The Bonds may be issued in one or more series and may be sold in conjunction with any other bonds heretofore or hereafter authorized.

**SECTION 3. *Authorization and Details of Notes.*** Pursuant to the provisions of the Constitution and laws of the State of South Carolina, there is hereby authorized to be issued general obligation bond anticipation notes of the County for the purposes set forth in Section 1(e) above in an aggregate amount not exceeding \$48,755,000. The notes authorized hereunder shall be identified as "General Obligation Bond Anticipation Notes of Beaufort County, South Carolina" (the "Notes").

The Notes will initially be issued under the DTC Book-Entry-Only System in the form of a single fully registered note, registered in the name of Cede & Co. as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. The Notes shall be dated as of the first day of the month in which the Notes are delivered to the initial purchaser(s) thereof or such other date as shall be selected by the County Administrator; shall be in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount of the Notes; shall be numbered from R-1 with an appropriate series designation, if any; shall bear interest from their date as may be accepted by the County Administrator at the time of the sale thereof; and shall mature in annual installments as determined by the County Administrator.

Both the principal of and interest on the Notes shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts.

**SECTION 4. *Delegation of Certain Details of the Notes to the Administrator and Chair.*** The Council hereby expressly delegates to the County Administrator and the Chair the authority, with respect to the Notes, to determine (a) the principal amount, the date of sale, and the maturity date of the Notes; (b) the redemption provisions, if any, for the Notes; (c) the Registrar/Paying agent for the Notes; (d) whether to publish notice of the adoption of this ordinance under the provisions of Section 11-27-40(8), Code of Laws of South Carolina, 1976, as amended; and (e) such other matters regarding the Notes as are necessary or appropriate. The Chair and County Administrator are further directed to consult with the County's financial advisor and bond counsel in making any such decisions.

The County Administrator is hereby authorized and directed to conduct the sale of the Notes pursuant to the provisions of Section 13 hereof. The County Council hereby expressly delegates to the County Administrator the authority to award the sale of the Notes in accordance with a notice of sale referenced in Section 13, provided that the net interest cost of the Notes shall not exceed 6% unless authorized by a separate resolution of the County Council.

**SECTION 5. *Registrar/Paying Agent.*** Both the principal of and interest on the Notes shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for public and private debts. Within twenty-four hours of the sales of the Notes, the County shall appoint a Registrar/Paying Agent therefor.

**SECTION 6. *Registration and Transfer.*** The County shall cause books (herein referred to as the "registry books") to be kept at the offices of the Registrar/Paying Agent, for the registration and transfer of the Notes. Upon presentation at its office for such purpose, the Registrar/Paying Agent shall register or transfer, or cause to be registered or transferred, on such registry books, the Notes under such reasonable regulations as the Registrar/Paying Agent may prescribe.

Each Note shall be transferable only upon the registry books of the County, which shall be kept for such purpose at the principal office of the Registrar/Paying Agent, by the registered owner thereof in person or by his duly authorized attorney upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar/Paying Agent, duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Note, the Registrar/Paying Agent on behalf of the County shall issue in the name of the transferee a new fully registered Note, of the same aggregate principal amount, interest rate, and maturity as the surrendered Note. Any such Note surrendered in exchange for a new registered Note pursuant to this Section shall be canceled by the Registrar/Paying Agent.

The County and the Registrar/Paying Agent may deem or treat the person in whose name any fully registered Note shall be registered upon the registry books as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of the principal of and interest on such Note and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor the Registrar/Paying Agent shall be affected by any notice to the contrary. In all cases in which the privilege of transferring Notes is exercised, the County shall execute and the Registrar/Paying Agent shall authenticate and deliver Notes in accordance with the provisions of this Ordinance. Neither the County nor the Registrar/Paying Agent shall be obliged to make any such transfer of Notes during the period beginning on the day after the 15th calendar day of the month next preceding an interest payment date on such Notes and ending on such interest payment date.

**SECTION 7. *Record Date.*** The County hereby establishes a record date for the payment of interest or for the giving of notice of any proposed redemption of Notes, and such record date shall be the 15th day of the calendar month next preceding an interest payment date on such Notes or, in the case of any proposed redemption of Notes, such record date shall not be more than 15 days prior to the mailing of notice of redemption of Notes.

**SECTION 8. *Lost, Stolen, Destroyed, or Defaced Notes.*** In case the Notes shall at any time become mutilated, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the owner, the County shall execute and the Registrar/Paying Agent shall authenticate and deliver at the principal office of the Registrar/Paying Agent, or send by registered mail to the owner thereof at his request, risk and expense, a new Note of the same interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Note, or in lieu of or in substitution for such lost, stolen or destroyed Note. In any such event the applicant for the issuance of a substitute Note shall furnish the County and the Registrar/Paying Agent evidence or proof satisfactory to the County and the Registrar/Paying Agent of the loss, destruction, mutilation, defacement or theft of the original Note, and of the ownership thereof, and also such security and indemnity in such amount as may be required by the laws of the State of South Carolina or such greater amount as may be required by the County and the Registrar/Paying Agent. Any duplicate Note issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Note or in substitution for any allegedly lost, stolen or wholly destroyed Note shall be entitled to the identical benefits under this Ordinance as was the original Note in lieu of which such duplicate Note.

All expenses necessary for the providing of any duplicate Note shall be borne by the applicant therefor.

**SECTION 9. *Book-Entry-Only System.***

(a) Notwithstanding anything to the contrary herein, so long as the Notes are being held under a book-entry system of a securities depository, transfers of beneficial ownership of the Notes will be effected pursuant to rules and procedures established by such securities depository. The initial securities depository for the Notes will be The Depository Trust Company ("DTC"), New York, New York. DTC and any successor securities depositories are hereinafter referred to as the "Securities Depository." The Notes shall be registered in the name of Cede & Co., as the initial securities depository nominee for the Notes. Cede & Co. and successor securities depository nominees are hereinafter referred to as the "Securities Depository Nominee."

(b) As long as a book-entry system is in effect for the Notes, the Securities Depository Nominee will be recognized as the holder of the Notes for the purposes of (i) paying the principal, interest and premium, if any, on such Notes, (ii) giving any notice permitted or required to be given to Noteholders under this ordinance, (iii) registering the transfer of Notes, and (iv) requesting any consent or other action to be taken by the holders of such Notes, and for all other purposes whatsoever, and the County shall not be affected by any notice to the contrary.

(c) The County shall not have any responsibility or obligation to any participant, any beneficial owner, or any other person claiming a beneficial ownership in any Notes which are registered to a Securities Depository Nominee under or through the Securities Depository with respect to any action taken by the Securities Depository as holder of such Notes.

(d) The County shall pay all principal, interest and premium, if any, on Notes issued under a book-entry system, only to the Securities Depository or the Securities Depository Nominee, as the case may be, for such Notes, and all such payments shall be valid and effectual to fully satisfy and discharge the obligations with respect to the principal of and premium, if any, and interest on such Notes.

(e) In the event that the County determines that it is in the best interest of the County to discontinue the book-entry system of transfer for the Notes, or that the interests of the beneficial owners of the Notes may be adversely affected if the book-entry system is continued, then the County shall notify the Securities Depository of such determination. In such event, the County shall appoint a Registrar/Paying Agent which shall authenticate, register, and deliver physical certificates for the Notes in exchange for the Notes registered in the name of the Securities Depository Nominee.

(f) In the event that the Securities Depository for the Notes discontinues providing its services, the County shall either engage the services of another Securities Depository or arrange with a Registrar/Paying Agent for the delivery of physical certificates in the manner described in (e) above.

(g) In connection with any notice or other communication to be provided to the holders of Notes by the County or by the Registrar/Paying Agent with respect to any consent or other action to be taken by the holders of Notes, the County or the Registrar/Paying Agent, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository Nominee notice of such record date not less than 15 days in advance of such record date to the extent possible.

**SECTION 10. *Execution of Notes.*** The Notes shall be executed in the name of the County with the manual or facsimile signature of the Chair attested by the manual or facsimile signature of the Clerk to County Council under a facsimile of the seal of the County which shall be impressed, imprinted or reproduced thereon. The Notes shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. The Notes shall bear a certificate of authentication manually executed by the Registrar/Paying Agent in substantially the form attached hereto as Exhibit B.

**SECTION 11. *Form of Notes.*** The Notes shall be in substantially the form attached hereto as Exhibit B.

**SECTION 12. *Security for Notes.*** For the payment of the principal of and interest, if necessary, on the Notes as they respectively mature there are hereby pledged the proceeds of the Notes and the full faith, credit and taxing power of the County. The County at its option may also utilize any other funds available therefor for the payment of the principal of and interest on the Notes.

**SECTION 13. *Exemption from Taxation.*** Both the principal of and interest on the Notes shall be exempt, in accordance with the provisions of Section 12-2-50, Code of Laws of South Carolina, 1976, as amended, from all State, county, municipal, County and all other taxes or assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes, but the interest thereon may be includable in certain franchise fees or taxes.

**SECTION 14. *Sale of Notes, Form of Notice of Sale.*** The Notes shall be sold at public sale. A summary Notice of Sale shall be published not less than seven days prior to the date fixed for sale, in a newspaper having general circulation in the State of South Carolina and, if deemed appropriate by the County Administrator, in a financial publication published in the City of New York, State of New York. The official Notice of Sale shall be distributed simultaneously with the distribution of the Preliminary Official Statement prepared in connection with the Notes, and shall be in the form attached hereto as Exhibit C, with such modifications as may be determined to be necessary by the financial advisor, if any, and bond counsel. The County Administrator may determine to establish a fixed date of sale in the notice or provide for the subsequent dissemination in electronic form of the date selected for such sale, in which event such subsequent notice shall be provided not less than 48 hours prior to the time and date fixed for sale. In the event a fixed date of sale is provided in the notice, such date may be modified by a subsequent notice in electronic form not less than 48 hours prior to the date fixed for the rescheduled sale.

**SECTION 15. *Deposit and Use of Proceeds.*** The proceeds derived from the sale of the Notes are to be used for the purposes set forth in Section 1(h) above, and shall be applied by the County solely to the purposes for which the Notes have been issued, except that the premium, if any, shall be placed in a sinking fund.

**SECTION 16. *Preliminary and Final Official Statement.*** The County Council hereby authorizes and directs the County Administrator to prepare, or cause to be prepared, a Preliminary Official Statement to be distributed to prospective purchasers of the Notes together with the Notice of Sale of the Notes. The County Council authorizes the County Administrator to designate the Preliminary Official Statement as "near final" for purposes of Rule 15c2-12 of the Securities Exchange Commission. The County Administrator is further authorized to see to the completion of the final form of the Official Statement upon the sale of the Notes so that it may be provided to the purchaser of the Notes.

**SECTION 17. *Defeasance.***

(a) If the Notes issued pursuant to this Ordinance shall have been paid and discharged, then the obligations of the Ordinance hereunder, and all other rights granted thereby shall cease and determine. The Notes shall be deemed to have been paid and discharged within the meaning of this section under any of the following circumstances:

(i) If a bank or other financial institution (the "Escrow Agent") shall hold, at the stated maturities of the Notes, in trust and irrevocably appropriated thereto, moneys for the full payment thereof; or

(ii) If default in the payment of the principal of the Notes or the interest thereon shall have occurred, and thereafter tender of payment shall have been made, and the Escrow Agent shall hold, in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of payment; or

(iii) If the County shall have deposited with the Escrow Agent, in an irrevocable trust, either moneys in an amount which shall be sufficient, or direct general obligations of the United

States of America, which are not subject to redemption by the issuer prior to the date of maturity thereof, as the case may be, the principal of and interest on which, when due, and without reinvestment thereof, will provide moneys, which, together with the moneys, if any, deposited with the Escrow Agent at the same time, shall be sufficient to pay, when due, the principal, interest, and redemption premium or premiums, if any, due and to become due on the Notes and prior to the maturity date of the Notes, or, if the County shall elect to redeem the Notes prior to their stated maturities, and shall have irrevocably bound and obligated itself to give notice of redemption thereof in the manner provided in the form of the Notes herein, on and prior to the redemption date of the Notes, as the case may be; or

(iv) If there shall have been deposited with the Escrow Agent either moneys in an amount which shall be sufficient, or direct general obligations of the United States of America or agencies thereof, the principal of and interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Escrow Agent at the same time, shall be sufficient to pay, when due, the principal and interest due and to become due on the Notes on the maturity thereof.

(b) In addition to the above requirements of paragraphs (i), (ii), (iii), and (iv), in order for this Ordinance to be discharged, all other fees, expenses, and charges of the Escrow Agent have been paid in full at that time.

(c) Notwithstanding the satisfaction and discharge of this Ordinance, the Escrow Agent shall continue to be obligated to hold in trust any moneys or investments then held by the Escrow Agent for the payment of the principal of, premium, if any, and interest on, the Notes, to pay to the owners of the Notes the funds so held by the Escrow Agent as and when payment becomes due.

(d) Any release under this Section shall be without prejudice to the rights of the Escrow Agent to be paid reasonable compensation for all services rendered under this Ordinance and all reasonable expenses, charges, and other disbursements and those of their respective attorneys, agents, and employees, incurred on and about the performance of the powers and duties under this ordinance.

(e) Any moneys which at any time shall be deposited with the Escrow Agent by or on behalf of the County for the purpose of paying and discharging any Notes shall be and are hereby assigned, transferred, and set over to the Escrow Agent in trust for the respective holders of the Notes, and the moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. If, through lapse of time or otherwise, the holders of such Notes shall no longer be entitled to enforce payment of their obligations, then, in that event, it shall be the duty of the Escrow Agent to transfer the funds to the County.

(f) In the event the Notes are not to be redeemed within the 60 days next succeeding the date the deposit required by Section 16(a)(iii) or (iv) is made, the County shall give the Escrow Agent irrevocable instructions to mail, as soon as practicable by registered or certified mail, a notice to the owners of the Notes at the addresses shown on the registry books that (i) the deposit required by subparagraph (a)(iii) or (a)(iv) of this Section 16 has been made with the Escrow Agent, (ii) the Notes are deemed to have been paid in accordance with this Section and stating the maturity or redemption dates upon which moneys are to be available for the payment of the principal of, and premium, if any, and interest on, the Notes, and (iii) stating whether the County has irrevocably waived any rights to redeem the Notes, or any of them, prior to the maturity or redemption dates set forth in the preceding clause (ii).

(g) The County covenants and agrees that any moneys which it shall deposit with the Escrow Agent shall be deemed to be deposited in accordance with, and subject to, the applicable provisions of

this Section, and whenever it shall have elected to redeem Notes, it will irrevocably bind and obligate itself to give notice of redemption thereof, and will further authorize and empower the Escrow Agent to cause notice of redemption to be given in its name and on its behalf.

**SECTION 18. *Tax and Securities Laws Covenants.***

(a) The County covenants that no use of the proceeds of the sale of the Notes shall be made which, if such use had been reasonably expected on the date of issue of such Notes would have caused the Notes to be "arbitrage bonds," as defined in the Code, and to that end the County shall comply with the applicable regulations of the Treasury Department previously promulgated under Section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended, and any regulations promulgated under the Code so long as the Notes are outstanding.

(b) The County further covenants to take all action necessary, including the payment of any rebate amount, to comply with Section 148(f) of the Code and any regulations promulgated thereunder.

(c) The County covenants to file IRS Form 8038-G at the time and in the place required therefor under the Code.

(d) The County hereby covenants and agrees that it will comply with and carry out all of the provisions of a Disclosure Dissemination Agent Agreement between the County and Digital Assurance Certification, L.L.C., to be executed by the County Administrator and dated the date of delivery of the Notes, which will meet the requirements of (i) Rule 15c2-12 promulgated by the Securities and Exchange Commission and (ii) Section 11-1-85, Code of Laws of South Carolina, 1976, as such may be amended, which requires the County to file with a nationally recognized municipal securities information repository, a copy of its annual independent audit within 30 days of receipt and event-specific information within 30 days of an event adversely affecting more than 5% of its revenues or 5% of its tax base.

**SECTION 19. *Notice of Public Hearing.*** The County Council hereby ratifies and approves the publication of a notice of public hearing regarding the Note and this Ordinance, such notice in substantially the form attached hereto as Exhibit D, having been published in *The Island Packet* and *The Beaufort Gazette*, newspapers of general circulation in the County, not less than 15 days prior to the date of such public hearing.

**SECTION 20. *Notice Pursuant to Section 11-27-40, Paragraph 8, of the Code of Laws of South Carolina, 1976.*** In order that the Council may proceed as soon as possible to issue and deliver the Notes, the County Administrator may determine that the County avail itself of the provisions of paragraph 8 of Section 11-27-40, Code of Laws of South Carolina, 1976, as amended. If such determination is made, the notice prescribed thereby shall be provided in substantially the form attached hereto as Exhibit E.

**SECTION 21. *Retention of Professionals and Service Providers.*** The County Council hereby retains Ross, Sinclair & Associates, LLC as financial advisors and McNair Law Firm, P.A., as bond counsel in connection with the issuance of the Notes.

The County Council hereby further authorizes the County Administrator to enter into such contractual arrangements with printers and the suppliers of other goods and services necessary to the sale, execution, and delivery of the Notes as is necessary and desirable. To the extent feasible, such arrangements shall be made with persons of sound reputation after obtaining two or more bids for such services; however, the County Administrator is authorized to make such arrangements without obtaining bids or quotes where (i) the services to be provided are unique, (ii) it is impractical to obtain bids in order

to comply with any time requirements with respect to the issuance and sale of the Notes, or (iii) the County has had previous experience with a supplier who has performed reliably and satisfactorily.

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**SECTION 22. *Authorization to Execute Documents.*** The County Council hereby authorizes the Chair and Clerk of County Council, the County Administrator and the Controller of the County to execute such documents and instruments as may be necessary to effect the issuance of the Notes.

**SECTION 23. *General Repealer.*** All rules, regulations, resolutions and parts thereof, procedural or otherwise, in conflict herewith or the proceedings authorizing the issuance of the Notes are, to the extent of such conflict, hereby repealed and this Ordinance shall take effect and be in full force from and after its adoption.

[Signature Page to Follow]



Adopted this 8<sup>th</sup> day of September, 2008.

BEAUFORT COUNTY, SOUTH CAROLINA



Chair of County Council

(SEAL)

ATTEST:



Clerk to County Council

First Reading, By Title Only: July 28, 2008

Second Reading: August 11, 2008

Public Hearing: August 25, 2008

Third and Final Reading: September 8, 2008

## PROJECT LIST

Rural and Critical Lands Program	<u>\$20,000,000.00</u>
<u>CIP Projects for FY 2007 - 2008</u>	
Land Acquisition - Law Enforcement	1,000,000.00
Land Acquisition - DSN Administration Building	1,000,000.00
Upgrade / Replace Radio Equipment	8,000,000.00
Specialized Equipment - Traffic Management	410,000.00
Specialized Equipment - Broadcast meetings	32,000.00
Software Upgrade - Tax System / CAMA	800,000.00
CC Haigh Boat Landing	750,000.00
Port Royal Sands Boat Landing	750,000.00
Buchwalter Park Recreation Center	1,800,000.00
Burton Wells Park - Phase II	1,600,000.00
Coastal Discovery Museum - Town of Hilton Head	300,000.00
St Helena Library	2,255,000.00
Contingency	<u>58,000.00</u>
	<u>\$18,755,000.00</u>
<u>Law Enforcement / Detention Center</u>	<u>\$10,000,000.00</u>
Total	<u>\$48,755,000.00</u>

FORM OF NOTE

UNITED STATES OF AMERICA  
STATE OF SOUTH CAROLINA  
BEAUFORT COUNTY  
GENERAL OBLIGATION BOND ANTIICIPATION NOTE  
SERIES \_\_\_\_\_

No. R-

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
--------------------------	--------------------------	--------------------------------	--------------

REGISTERED OWNER:

PRINCIPAL AMOUNT:         DOLLARS

KNOW ALL MEN BY THESE PRESENTS that Beaufort County, South Carolina (the "County") hereby acknowledges itself indebted, and for value received promises to pay to the registered owner hereof, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) at the principal office of \_\_\_\_\_, in the City of \_\_\_\_\_, State of \_\_\_\_\_ on the \_\_\_ day of \_\_\_\_\_, 2009, and to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on said principal sum from the date hereof, at the rate of \_\_\_\_\_%, payable upon the maturity of this note. This note is not subject to prepayment prior to its maturity.

Both the principal of and interest on this note are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts.

This note represents a series of general obligation bond anticipation notes (the "Notes"), issued by the County, pursuant to the authorization of Title 11, Chapter 17, Code of Laws of South Carolina 1976, as amended, in anticipation of the receipt of the proceeds to be derived from the general obligation bonds of the County to be issued pursuant to and in accordance with the provisions of the Constitution and Laws of the State of South Carolina including Article X, Section 15 of the Constitution of the State of South Carolina, 1895, as amended; Title 11, Chapter 27, Code of Laws of South Carolina, 1976, as amended; Title 59, Chapter 71, Code of Laws of South Carolina, 1976, as amended, the favorable results of a referendum, and an ordinance duly enacted by the Beaufort County Council on \_\_\_\_\_, 2008 (the "Ordinance"). The full faith, credit and taxing power of the County and the proceeds to be derived from the sale of bonds are pledged for the payment of the principal of and interest on the Notes.

The Notes are being issued by means of a book-entry system with no physical distribution of certificates to be made except as provided in the Ordinance. One certificate registered in the name of the

Securities Depository Nominee is being issued and is required to be deposited with the Securities Depository. The book-entry system will evidence positions held in the Notes by the Securities Depository's participants, beneficial ownership of the Notes in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its Participants.

\_\_\_\_\_ as Registrar/Paying Agent will recognize the Securities Depository Nominee, while the registered owner of the Notes, as the owner of the Notes for all purposes, including payments of principal of and redemption premium, if any, and interest on the Notes, notices and voting. Transfer of principal and interest payments to Participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, redemption premium, if any, and interest payments to beneficial owners of the Notes by Participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The County and Registrar/Paying Agent will not be responsible or liable for such transfers of payment or for maintaining, supervision or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its Participants or persons acting through such Participants. While the Securities Depository Nominee is the owner of the Notes, notwithstanding the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on the Notes shall be made in accordance with existing arrangements between the Registrar/Paying Agent or its successors under the Resolution and the Securities Depository.

This note and the interest hereon are exempt from all State, county, municipal, County, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes but the interest on this note may be included for certain franchise fees or taxes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and Laws of the State of South Carolina to exist, to happen, or to be performed precedent to or in the issuance of this note, do exist, have happened, and have been performed in regular and due time, form and manner, and the amount of this note, and the issue of which this note is one, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, BEAUFORT COUNTY, SOUTH CAROLINA, has caused this Note to be signed with the signature of the Chair of the County Council, attested by the signature of the Clerk to the County Council and the seal of the County impressed, imprinted, or reproduced hereon.

BEAUFORT COUNTY, SOUTH CAROLINA

(SEAL)

\_\_\_\_\_  
Chair, County Council

ATTEST:

\_\_\_\_\_  
Clerk to County Council

[FORM OF REGISTRAR/PAYING AGENT'S CERTIFICATE OF AUTHENTICATION]

Date of Authentication:

This note is one of the Notes described in the within mentioned Ordinance of Beaufort County, South Carolina.

[REGISTRAR/PAYING AGENT]  
as Registrar/Paying Agent

By: \_\_\_\_\_  
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

UNIF GIFT MIN ACT -

TEN ENT - as tenants by the entireties

\_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

JT TEN - as joint tenants with right of survivorship and not as tenants in common

under Uniform Gifts to Minors Act \_\_\_\_\_  
(state)

Additional abbreviations may also be used though not in above list.

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(Name and Address of Transferee)

\_\_\_\_\_ the within Note and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature Guaranteed

\_\_\_\_\_  
(Authorized Officer)

\_\_\_\_\_  
Signature must be guaranteed by a participant in the Securities Transfer Agent Medallions Program (STAMP)

\_\_\_\_\_  
Notice: The signature to the assignment must correspond with the name of the registered owner as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever

FORM OF NOTICE OF SALE

NOTICE OF SALE

\$ \_\_\_\_\_ GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES \_\_\_\_\_  
OF BEAUFORT COUNTY, SOUTH CAROLINA

Sealed, facsimile and electronic bids for the purchase of all but not part of the above notes (the "Notes") will be received by Beaufort County, South Carolina (the "County"), in the case of sealed and facsimile bids, at the offices of the County Administrator, \_\_\_\_\_, Beaufort, South Carolina, and in the case of electronic bids, via PARITY (as explained below) until \_\_\_\_\_ (Eastern Time) on \_\_\_\_\_, \_\_\_\_\_, 2008.

**BID SUBMISSION:** Sealed and facsimile bids must be submitted on bid forms furnished by the County. Sealed bids shall be enclosed in a sealed envelope marked on the outside "Proposal for the Purchase of the County of Beaufort County, South Carolina, \$ \_\_\_\_\_ General Obligation Bond Anticipation Notes, Series \_\_\_\_\_." Bids submitted by facsimile should be preceded by a cover sheet addressed to the Superintendent and should be sent only once to (843) \_\_\_\_\_. Electronic proposals must be submitted through i-Deal's Parity Electronic Bid Submission System ("Parity"). No electronic bids from any other providers of electronic bidding services will be accepted. Information about the electronic bidding services of Parity may be obtained from i-Deal, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Customer Support, telephone (212) 404-8102. The County, McNair Law Firm, P.A. and Ross, Sinclaire & Associates, LLC shall not be responsible for any failure, misdirection or error in the means of transmission selected by any bidder.

**GOOD FAITH DEPOSIT:** No good faith deposit will be required.

**NOTE DETAILS:** The Notes will be issued in book-entry form in the denomination of \$5,000 or any integral multiple thereof. The Notes will be dated as of \_\_\_\_\_, 2008, the expected date of delivery, and due on \_\_\_\_\_, 2009. Interest, calculated on the basis of a 360-day year of twelve 30-day months, will be payable at maturity on \_\_\_\_\_, 2009.

**REDEMPTION PROVISIONS:** The Notes are not subject to optional redemption prior to maturity.

**RATINGS:** A Moody's rating has been applied for.

**INTEREST RATES:** Bidders must specify the fixed rate of interest the Notes shall bear according to the following restrictions: (a) the interest rate may not exceed six percent (6%) and (b) the interest rate specified must be a multiple of 1/100th of one percent.

**REGISTRAR/PAYING AGENT:** Within twenty-four hours of the sale of the Notes, the County will designate a registrar/paying agent (the "Registrar/Paying Agent") for the Notes.

**BASIS OF AWARD:** The Notes will be awarded to the responsive bidder whose bid results in the lowest **NET INTEREST COST (the "NIC")** to the County. The NIC will be calculated as the total interest from \_\_\_\_\_, 2008 to \_\_\_\_\_, 2009, minus any premium. If two or more bids provide for the same lowest NIC, the County shall award the bid to the bidder whose bid is in the best interest of the County to be determined by the County in its sole discretion, and such determination shall be final. **Any bid for less than par will be rejected.** The County reserves the right to reject any and all bids and to waive informalities in any or all bids.

In order to calculate the yield on the Notes for federal tax law purposes and as a condition precedent to the award of the Notes, the successful bidder will be required to disclose to the County the price (or yield to maturity) at which the Notes will be reoffered to the public.

The Notes will be awarded or all bids will be rejected by no later than 2:00 P.M. (Eastern Time) on the day bids are opened, \_\_\_\_\_, 2008.

**SECURITY:** The full faith, credit and taxing power of the County and the proceeds derived from the sale of bonds are pledged to the payment of the principal of and interest on the Notes.

**AUTHORIZATION:** The Notes are being issued pursuant to Article X, Section 15 of the Constitution of the State of South Carolina, Title 11, Chapter 17, Code of Laws of South Carolina, 1976, as amended, the favorable results of a referendum, and a resolution duly adopted by the Board of Education of the County on \_\_\_\_\_, 2008.

**INTEREST AND PRINCIPAL PAYMENTS:** Payment of principal of and interest on the Notes will be made directly by the Registrar/Paying Agent to Cede & Co., as the registered owner of the Notes and nominee for The Depository Trust Company ("DTC"), on \_\_\_\_\_, 2008, in immediately available funds.

**CUSIP NUMBERS:** It is anticipated that CUSIP numbers will be printed on the Notes, but neither the failure to print such numbers on the Notes nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Notes.

**DELIVERY AND PAYMENT:** Delivery of the properly executed Notes is expected to be made through DTC on or about \_\_\_\_\_, 2008. Payment for the Notes shall be made in immediately available funds.

**OFFICIAL STATEMENT:** The Preliminary Official Statement, dated \_\_\_\_\_, 2008, has been deemed final by the County for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule. Within seven (7) business days of the bid opening date, the County will deliver the final Official Statement to the successful bidder in sufficient quantity to comply with the Rule.



**LEGAL OPINION AND CLOSING CERTIFICATES:** The County will furnish upon delivery of the Notes: a Receipt for the Notes; a Signature and No-Litigation Certificate; a Rule 15c2-12 Certificate; a Federal Tax Certificate, and the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, as Bond Counsel, all without cost to the purchasers.

**INFORMATION FROM PURCHASER:** At or before delivery, the purchaser of the Notes shall provide a certificate to the County in a form acceptable to Bond Counsel stating the information necessary to enable the County to determine the issue price of the Notes as defined in Section 1273 or 1274 of the Internal Revenue Code of 1986, as amended.

**ADDITIONAL INFORMATION:** The Preliminary Official Statement, Official Notice of Sale and Official Bid Form of the County with respect to the Notes are available via the internet at <http://www.rsamuni.com> and will be furnished to any person interested in bidding for the Notes upon request to McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, attention: Francenia B. Heizer, Esquire, telephone (803) 799-9800, e-mail: [fheizer@mcnair.net](mailto:fheizer@mcnair.net). The Preliminary Official Statement shall be reviewed by bidders prior to submitting a bid. Bidders may not rely on this Official Notice of Sale as to the complete information concerning the Notes. For additional information, please contact the County's Financial Advisor, Brian Nurick, Ross, Sinclair & Associates, 1219 Assembly Street, Columbia, South Carolina 29201, telephone (800) 255-0795, e-mail: [bnurick@rsamuni.com](mailto:bnurick@rsamuni.com).

\_\_\_\_\_, 2008

**FORM OF NOTICE OF PUBLIC HEARING**

**NOTICE OF PUBLIC HEARING**

Notice is hereby given that a public hearing will be held by the County Council of Beaufort County, South Carolina (the "County"), in the Bluffton Branch Library, 120 Palmetto Way, Bluffton, South Carolina, at 6:00 p.m. on Monday, August 25, 2008.

The purpose of the public hearing is to consider an Ordinance providing for the issuance and sale of General Obligation Bond Anticipation Notes of Beaufort County, South Carolina, in the principal amount of not exceeding \$48,755,000 (the "Notes"). The proceeds of the Notes will be used for the purposes of providing funds (i) to defray the costs of: the County Rural and Critical Land Preservation Program by purchasing open land, development rights and conversation easements in all areas of Beaufort County (the "Referendum Projects"); (ii) to pay the costs of certain capital projects approved by the County (the "Capital Projects") and (iii) to pay the costs of issuance of the Notes.

The proceeds of general obligation bonds to be issued by the County will be used to pay the principal and interest on the Notes. In addition, the full faith, credit, and taxing power of the County will be pledged for the payment of the principal of and interest on the bonds and a tax, without limit, will be levied on and collected annually, in the same manner other County taxes are levied and collected, on all taxable property of the County sufficient to pay to principal of and interest on the bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

At the public hearing all taxpayers and residents of the County and any other interested persons who appear will be given an opportunity to express their views for or against the Ordinance and the issuance of the Bonds.

COUNTY COUNCIL OF BEAUFORT COUNTY,  
SOUTH CAROLINA

FORM OF NOTICE OF ADOPTION OF AN ORDINANCE

NOTICE OF ADOPTION OF AN ORDINANCE

Notice is hereby given that on \_\_\_\_\_, 2008, the Beaufort County Council adopted an ordinance entitled: Ordinance No. \_\_\_\_\_ **“AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$48,755,000 OF GENERAL OBLIGATION BOND ANTICIPATION NOTES TO PROVIDE FUNDS FOR REFERENDUM PROJECTS AND CAPITAL PROJECTS OF THE COUNTY; FIXING THE FORM AND DETAILS OF THE NOTES; AUTHORIZING THE CHAIR OF COUNTY COUNCIL AND THE COUNTY ADMINISTRATOR OR THEIR DESIGNEES TO DETERMINE CERTAIN MATTERS RELATING TO THE NOTES; PROVIDING FOR THE PAYMENT OF THE NOTES AND THE DISPOSITION OF THE PROCEEDS THEREOF; AND OTHER MATTERS RELATING THERETO”** (the “Ordinance”).

Pursuant to Section 11-27-40(8) of the South Carolina Code of Laws, 1976, as amended, unless a notice, signed by not less than five (5) qualified electors of the County, of the intention to seek a referendum is filed both in the office of the Clerk of Court of the County and with the Clerk of the County Council, the initiative and referendum provisions of South Carolina law, Sections 4-9-1210 to 4-9-1230, South Carolina Code of Laws 1976, as amended, shall not be applicable to the Ordinance. The notice of intention to seek a referendum must be filed within twenty (20) days following the publication of this notice of the adoption of the aforesaid Ordinance in a newspaper of general circulation in Beaufort County.

By order of the Beaufort County Council, \_\_\_\_\_, 2008.

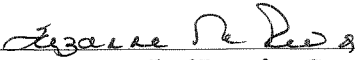
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Chair, Beaufort County Council

STATE OF SOUTH CAROLINA     )  
  )  
COUNTY OF BEAUFORT         )     CERTIFIED COPIES OF MINUTES

I, the undersigned, hereby certify that I am the duly qualified Clerk to the County Council (the "County Council") of Beaufort County, South Carolina (the "County"), and as such official I further certify that I am the recorder and custodian of the official records of the County Council of the County and that attached hereto are copies of the excerpts of minutes of meetings of the County Council of the County held on July 28, 2008, August 11, 2008, August 25, 2008, and September 8, 2008, and I have compared such copies with the official records of minutes of said meetings in my official custody and that such copies are true, correct and complete transcripts from the original records of minutes insofar as the original record of minutes relates to the reading, public hearing and enacting of Ordinance No. 2008/34 which authorizes the issuance and sale of not exceeding \$48,755,000 General Obligation Bond Anticipation Notes of the County.

In witness whereof, I have hereunto set my hand this 10th day of March, 2009.

  
\_\_\_\_\_  
Clerk to County Council of Beaufort County,  
South Carolina

(SEAL)

**July 28, 2008**

Official Proceedings  
County Council of Beaufort County  
July 28, 2008

The electronic and print media were duly notified in  
accordance with the State Freedom of Information Act

The regularly scheduled meeting of the County Council of Beaufort County was held at 4:00 p.m., Monday, July 28, 2008, in the large meeting room of the Bluffton Branch Library, 120 Palmetto Way, Bluffton, South Carolina.

**ATTENDANCE**

Chairman Weston Newton, Vice Chairman W.R. "Skeet" Von Harten, and members Steven Baer, Rick Caporale, Gerald Dawson, Herbert Glaze, William McBride, Stewart Rodman, D. Paul Sommerville, Gerald Stewart and Laura Von Harten.

**PLEDGE OF ALLEGIANCE**

The Chairman led those present in the Pledge of Allegiance to the Flag.

**INVOCATION**

Mr. Herbert Glaze gave the Invocation.

**MOMENT OF SILENCE**

**Cpl. Mike Brewton**

The Chairman called for a moment of silence in remembrance of Cpl. Mike Brewton, who died July 22, 2008. He was an employee of the Sheriff's Department.

**REVIEW OF PROCEEDINGS OF THE REGULAR MEETING HELD JUNE 23, 2008**

There were no corrections or additions made to the minutes of the regular meeting held June 23, 2008.

It was moved by Mr. McBride, seconded by Mr. Glaze, that Council approve the proceedings of the regular meeting held June 23, 2008. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

It was moved by Mr. Sommerville, as Land Management Committee Vice Chairman (no second required), that Council approve on second reading text amendments to the Beaufort County Zoning and Development Standards Ordinance, to the Beaufort County Zoning and Development Standards Ordinance), Section 106-2103(C)—Multi-Family Developments (exempts affordable multi-family developments up to 70 units from the one-quarter mile spacing requirement for Urban Zoning Districts in Section 106-1187(B)) and, further, deletes the text, "Upon review an approval by the Zoning Board of Appeals" and "as a special use". The vote was: FOR - Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Stewart and Ms. L. Von Harten. OPPOSED - Mr. Sommerville and Mr. W.R. Von Harten. ABSTAINED - Mr. Rodman. RECUSAL - Mr. Newton (left the room and was not present for any of the discussion). The motion passed .

Mr. Newton returned to the room.

The Vice Chairman returned the gavel to the Chairman in order to continue the meeting.

The Chairman announced that a public hearing on this issue would be held on Monday, August 11, 2008, beginning at 6:00 p.m. in the large meeting room of the Hilton Head Island Branch Library, 11 Beach City Road, Hilton Head Island.

### **PROPOSED DISASTER RECOVERY AND RECONSTRUCTION ORDINANCE**

It was moved by Mr. McBride, as Community Services / Public Safety Committee Chairman (no second required), that Council approve on second reading a proposed Disaster Recovery and Reconstruction Ordinance. The vote was: FOR - Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

The Chairman announced that a public hearing on this issue would be held on Monday, August 11, 2008, beginning at 6:00 p.m. in the large meeting room of the Hilton Head Island Branch Library, 11 Beach City Road, Hilton Head Island.

### **TEXT AMENDMENTS TO THE BEAUFORT COUNTY STORMWATER UTILITY ORDINANCE, ARTICLE II, SECTION 99-108, GENERAL FUNDING POLICY (TO INCREASE THE SINGLE-FAMILY UNIT RATE)**

It was moved by Mr. Glaze, as Public Services Committee Chairman (no second required), that Council approve on second reading a text amendment to the Beaufort County Stormwater Utility Ordinance, Article II, Section 99-108, General Funding Policy (an increase of \$5.57 to the current Single Family Unit (SFU) rate to bring it to a revised \$50 rate). The vote was: FOR - Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. OPPOSED - Mr. McBride. The motion passed .

The Chairman announced that a public hearing on this issue would be held on Monday, August 11, 2008, beginning at 6:00 p.m. in the large meeting room of the Hilton Head Island Branch Library, 11 Beach City Road, Hilton Head Island.

### **AN ORDINANCE AUTHORIZING A GENERAL OBLIGATION BOND BORROWING OF AN AMOUNT NOT TO EXCEED \$5,000,000**

It was moved Mr. Rodman, seconded by Mr. Sommerville, that Council approve on first reading, by title only, an ordinance authorizing a general obligation bond borrowing of an amount not to exceed \$5,000,000 .

Mr. Rodman stated during the FY 2009 budget process, administration had suggested that rather than pay for equipment out of the general fund, it may be appropriate to issue a general obligation bond borrowing with a short life equal to the equipment life of a couple of years, because you would not want to borrow long term for that kind of equipment. Therefore, the general fund budget was structured with that in mind. As presently structured, staff is looking toward a three-year bond borrowing.

The vote was: FOR - Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

### **AN ORDINANCE AUTHORIZING A GENERAL OBLIGATION ANTICIPATION NOTE BORROWING OF AN AMOUNT NOT TO**

**EXCEED \$46,500,000**

It was moved Mr. Rodman, seconded by Mr. Sommerville, that Council approve on first reading, by title only, an ordinance authorizing a general obligation anticipation note borrowing of an amount not to exceed \$46,500,000 .

Mr. Rodman explained this bond borrowing contains three components: \$20 million for the Rural and Critical Lands Program, \$16.5 million for Capital Improvement Projects, and \$10 million for Law Enforcement and /or Detention Center upgrades. There are potentially two ways to move forward with the borrowing. One way is to take the approved projects, borrow the money, have the money on hand, and then use it as it is needed. The second way is to borrow some portion of that money, have it on hand, use it, and then at a subsequent point in time actually do the permanent borrow. There are two factors: first, by issuing anticipation notes there is a little more borrowing, as needed, which may be advantageous; second, the financial advisor and staff agree the relationship of long-term rates and short-term borrowing are such that this would be advantageous on the part of their recommendation.

Mr. McBride cannot support the motion until he sees the \$16.5 million list of Capital Improvement Projects.

Mr. Baer cannot support this item at this time because no detail was provided for study and review prior to the meeting. He objects to pro-forma readings without data.

Mr. Tom Henrikson, Chief Financial Officer, stated the \$16.5 million was the \$16.5 million approved by Council on February 11, 2008. The CIP includes 11 projects: Buckwalter Park Recreational Community Center \$1,800,000; CAMA – Tax Billing and Collecting \$800,000; Burton Wells Regional Park, Phase II \$1,600,000; Radio Rebanding \$8,000,000; ITS Camera Installation (Bluffton Parkway) \$410,000; Land Acquisition for DSN Program/Administration Building \$1,000,000; Communications Studio \$32,000; C.C. Haigh, Jr. Boat Landing (ramp/float improvements) \$750,000; Port Royal Boat Landing (The Sands) Parking Improvements \$750,000; Land Acquisition for future construction sites (Sheriff's Office); and \$1,000,000; Coastal Discovery Museum Honey Horn building renovation / stabilization \$300,000.

The vote was: FOR – Mr. Caporale, Mr. Glaze, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. OPPOSED – Mr. Baer, Mr. Dawson and Mr. McBride. The motion passed .

**TEXT AMENDMENTS TO THE BEAUFORT COUNTY ZONING AND DEVELOPMENT STANDARDS ORDINANCE, REGARDING THE INTERIM STANDARDS FOR THE BLUFFTON COMMUNITY PRESERVATION DISTRICT**

Mr. Tony Criscitiello, Planning Director, stated the Land Management Committee has received a resolution from the Bluffton Community Preservation District requesting a change in the Interim Standards, Appendix D, of the Zoning and Development Standards for the Bluffton Community Preservation District to allow the change to reflect one unit for every three acres as opposed to the current standard which is one unit for every acre. The reason for this resolution was to allow for the Interim Standards to be put in place to allow for the CP Committee to finish its work which is entering the very last stage of the May River Community Preservation District. The interest of the CP Committee was to put in place something which would hold in abeyance any opportunity to develop property in the CP boundaries that would at one unit to the acre.

It was moved Mr. W.R. Von Harten, as Land Management Committee Chairman (no second required), that Council approve on first reading, by title only, text amendments to the Beaufort County Zoning and Development Standards Ordinance, regarding the interim standards for the Bluffton Community Preservation District (prospective application). The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

**SOUTHERN BEAUFORT COUNTY ZONING MAP AMENDMENT FOR R600-040-003B; 25.05 ACRES AT 1270 FORDING ISLAND ROAD, TO BE KNOWN AS TANGER OUTLET 1 PUD; FROM COMMERCIAL REGIONAL (CR) TO PLANNED UNIT DEVELOPMENT (PUD)**

Mr. Tony Criscitiello, Planning Director, stated this issue involves a zoning amendment for a Planned Unit Development (hereinafter "PUD") in the area that is now occupied by Tanger Outlet 1. This is a PUD as opposed to current zoning which is Commercial Regional. The Planning staff recommended denial of the PUD principally because of the functionality and the design of the PUD for the Master Plan site plan. The Planning Commission heard the staff recommendation and decided to support the moving forward of the PUD on to the Land Management Committee with a proviso that staff provide a series of recommendations which would travel along and accompany the PUD to Council. That has happened. At the Land Management Committee on July 16, 2008, based on the directive from the Planning Commission, Mr. Criscitiello provided a memorandum to the Land Management Committee. The memorandum contained three parts. The first is to allow for staff and the applicant's design team to get together to work out differences of opinion in regard to the site design and in regard to its effectiveness and functionality. The second part is to take into consideration the opinions of the County Transportation Engineer. The third part, because of the request of the applicant to the PUD

**ADJOURNMENT**

Council adjourned at 7:43 p.m.  
COUNTY COUNCIL OF BEAUFORT COUNTY

By: \_\_\_\_\_

Wm. Weston J. Newton, Chairman

ATTEST: \_\_\_\_\_

Suzanne M. Rainey, Clerk to Council

Ratified: August 11, 2008



**ADJOURNMENT**

Council adjourned at 7:43 p.m.  
COUNTY COUNCIL OF BEAUFORT COUNTY

By: \_\_\_\_\_

Wm. Weston J. Newton, Chairman

ATTEST: \_\_\_\_\_

Suzanne M. Rainey, Clerk to Council

Ratified: August 11, 2008

**August 11, 2008**

Official Proceedings  
County Council of Beaufort County  
August 11, 2008

The electronic and print media were duly notified in  
accordance with the State Freedom of Information Act

The regularly scheduled meeting of the County Council of Beaufort County was held at 4:00 p.m., Monday, August 11, 2008, in the large meeting room of the Hilton Head Island Branch Library, 11 Beach City Road, Hilton Head Island, South Carolina.

**ATTENDANCE**

Chairman Weston Newton, Vice Chairman W.R. "Skeet" Von Harten, and members Steven Baer, Rick Caporale, Gerald Dawson, Herbert Glaze, William McBride, Stewart Rodman, D. Paul Sommerville, Gerald Stewart and Laura Von Harten.

**PLEDGE OF ALLEGIANCE**

The Chairman led those present in the Pledge of Allegiance to the Flag.

**INVOCATION**

Mr. Gerald Dawson gave the Invocation.

**REVIEW OF PROCEEDINGS OF THE REGULAR MEETING HELD JULY 28, 2008**

There were no corrections or additions made to the minutes of the regular meeting held July 28, 2008.

It was moved by Mr. McBride, seconded by Mr. Glaze, that Council approve the proceedings of the regular meeting held July 28, 2008. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

**PUBLIC COMMENT**

The Chairman recognized Mr. Thomas C. Barnwell, Jr., a Hilton Head Island resident, who congratulated Council for its very positive, aggressive, and meaningful activities with the Board of Education. He also congratulated Council on its Land Buying Program. The County needs a transportation study.

Ms. Joni Dimond, a Hilton Head Island resident, is looking forward to the day when the Sea Islands are recognized as territories by the federal government. She is here today, mostly in memory of Ms. Margaret Simmons, who died August 9, 2008. Ms. Simmons appeared before Council many times regarding the naming of Robert Smalls Parkway. US Congressman Robert Smalls was a very brilliant man.

Mr. John Smith, a Sheldon resident, stated the Bull Point Plantation housing project is located at the intersection of US Highways

**AN ORDINANCE AUTHORIZING A GENERAL OBLIGATION BOND BORROWING OF AN AMOUNT NOT TO EXCEED \$5,000,000**

It was moved by Mr. Rodman, as Finance Committee Chairman (no second required), that Council approve on second reading an ordinance authorizing a general obligation bond borrowing of an amount not to exceed \$5,000,000 .

Mr. Rodman explained historically many of the items that had short lives were handled under the operating budget. This particular year Council looked at actually borrowing against those items, but having a shorter maturing bond to match the general life of the items. Administration had identified \$8.8 million in items that fell into that category and, staff has reduced that down to \$5 million as they scrubbed that list. The Finance Committee met earlier today and recommends Council approve the bond issuance on second reading, but it was contingent upon coming back to the August 18, 2008, Finance Committee meeting to review one item of a significant dollar amount, *i.e.*, Voice Over Internet Protocol (VoIP) in the amount of \$2.7 million which is a little over 50% of the \$5 million borrowing. The Finance Committee will provide a final recommendation to Council, as a result of the August 18 Finance Committee, and hold the public hearing at the August 25 Council meeting.

Mr. Newton referenced the list of automobiles and pick up trucks requested that started at approximately \$8 million and, staff has reduced that amount to \$5 million. Staff has determined, based on the criteria, \$3.8 million worth of capital needs are not needed in this budget cycle. In staff's opinion all of the remaining items are appropriate for inclusion in this year's budgeting cycling.

Mr. Gary Kubic, County Administrator, agreed in the affirmative. The rolling stock is handled in conjunction with the Fleet Management Program. Staff pays particular interest in those vehicles that will pass from front line to secondary. This year staff is going to give added emphasis to fuel-efficient vehicles. Two such vehicles were purchased this year. Staff is in the process of evaluating the best use for those two vehicles.

The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

The Chairman announced a public hearing on this issue would be held on Monday, August 25, 2008, beginning at 6:00 p.m. in the large meeting room of the Bluffton Branch Library, 120 Palmetto Way, Bluffton.

**AN ORDINANCE AUTHORIZING A GENERAL OBLIGATION ANTICIPATION NOTE BORROWING OF AN AMOUNT NOT TO EXCEED \$46,500,000**

Mr. Rodman explained this bond borrowing contains three components: \$20 million for the Rural and Critical Lands Program, \$16.5 million for Capital Improvement Projects, and \$10 million for Law Enforcement and /or Detention Center upgrades. There are potentially two ways to move forward with the borrowing. One way is to take the approved projects, borrow the money, have the money on hand, and then use it as it is needed. The second way is to borrow some portion of that money, have it on hand, use it, and then at a subsequent point in time actually do the permanent borrow. There are two factors: first, by issuing anticipation notes there is a little more borrowing, as needed, which may be advantageous; second, the financial advisor and staff agree the relationship of long-term rates and short-term borrowing are such that this would be advantageous on the part of their recommendation. During the August 11 Finance Committee meeting held earlier today, there was insufficient time for members of discuss this matter in detail. Administration has advised that it would not be harmful if Council were to delay consideration of second reading approval until the August 25, 2008 meeting.

Without objection from Council, the Chairman carried over consideration of second reading approval until the August 25, 2008, Council meeting.

The Chairman announced a public hearing on this issue would be held on Monday, August 25, 2008, beginning at 6:00 p.m. in the large meeting room of the Bluffton Branch Library, 120 Palmetto Way, Bluffton.

**TEXT AMENDMENTS TO THE BEAUFORT COUNTY ZONING AND DEVELOPMENT STANDARDS ORDINANCE, APPENDIX J (DALE COMMUNITY PRESERVATION/CP), DIVISION 2 (DALE MIXED USE DISTRICT), SECTION 2.7 ADDITIONAL DEVELOPMENT STANDARDS—PLACEMENT (EXEMPTS COMMERCIAL DAYCARE CENTERS FROM SIZE REQUIREMENT IN DALE CP MIXED USE DISTRICT)**

**Pinckney Point Dock Permit and Buckingham Landing Dock Permit**

It was moved by Mr. W.R. Von Harten, seconded by Mr. Caporale, that Council pursue the appropriate appeals relative to Pinckney Point dock permit and Buckingham Landing dock permit and engage Cotton Harness, Esquire, from Charleston, South Carolina, to represent the County's interest in that regard. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. ABSENT – Mr. Sommerville. The motion passed .

**Bull Point**

It was moved by Mr. W.R. Von Harten, seconded by Mr. Dawson, that Council authorize the filing of an appeal with regard to a recent Zoning Board of Appeals decision relative to a dock at Bull Point and, further, to seek appropriate legal counsel. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. ABSENT – Mr. Sommerville. The motion passed .

**ADJOURNMENT**

Council adjourned at 7:43 p.m.  
COUNTY COUNCIL OF BEAUFORT COUNTY

By: \_\_\_\_\_  
Wm. Weston J. Newton, Chairman

ATTEST: \_\_\_\_\_  
Suzanne M. Rainey, Clerk to Council

Ratified:

**August 25, 2008**

Official Proceedings  
County Council of Beaufort County  
August 25, 2008

The electronic and print media were duly notified in  
accordance with the State Freedom of Information Act

The regularly scheduled meeting of the County Council of Beaufort County was held at 4:00 p.m., Monday, August 25, 2008, in the large meeting room of the Bluffton Branch Library, 120 Palmetto Way, Bluffton, South Carolina.

**ATTENDANCE**

Chairman Weston Newton, Vice Chairman W.R. "Skeet" Von Harten, and members Steven Baer, Rick Caporale, Gerald Dawson, Herbert Glaze, William McBride, Stewart Rodman, D. Paul Sommerville, Gerald Stewart and Laura Von Harten.

**PLEDGE OF ALLEGIANCE**

The Chairman led those present in the Pledge of Allegiance to the Flag.

**INVOCATION**

Mr. Gerald Dawson gave the Invocation.

**REVIEW OF PROCEEDINGS OF THE REGULAR MEETING HELD AUGUST 11, 2008**

There were no corrections or additions made to the minutes of the regular meeting held August 11, 2008.

It was moved by Mr. McBride, seconded by Mr. Glaze, that Council approve the proceedings of the regular meeting held August 11, 2008. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

**PUBLIC COMMENT**

The Chairman recognized Mr. Jim Bequette, a member of the Board of Education, who stated the School District has not received any information from the County regarding the reduction in the tax base switching from 6% to 4% valuation. The School District has received information from Mr. Ed Hughes, Assessor, regarding the assessable transfer of interest (ATI) funds which are approximately \$5 million less than originally projected. The Board of Education needs any and all financial information regarding the School District. He expects better performance from the County in the future.

Mr. David Tedder, a Lady's Island resident, expressed support regarding the renaming of the A.B. "Buddy" Lubkin Boat Landing, a/k/a Station Creek, to the "Buddy" and "Zoo" Boat Landing. He has had the privilege of knowing both individuals.

Mr. Paul Norris, a Berkeley Hall resident, expressed opposition to any zoning change regarding St. Gregory the Great Catholic

**Motion to table.**

It was moved by Mr. Stewart, seconded by Mr. Baer, that Council table the motion until the September 22, 2008, Council meeting. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Mr. W.R. Von Harten. OPPOSED – Ms. L. Von Harten. The motion passed .

**TEXT AMENDMENTS TO BEAUFORT COUNTY ZONING AND DEVELOPMENT STANDARDS ORDINANCE (ZDSO), ARTICLE XIII, SECTION 106-2828(B)(4) PRIVATE WATER SYSTEMS REQUIRING FIRE FLOW BE ESTABLISHED ACCORDING TO INTERNATIONAL FIRE CODE TABLE B105.1; AND SECTION 106-2828(C) ALTERNATIVE WATER SUPPLY TEXT CHANGE CODE SHOULD BE 1142 INSTEAD OF 1231**

Mr. Tony Criscitiello, Planning Director, stated Section 106-2828(B) of the Zoning and Development Standards Ordinance (hereinafter "ZDSO") references the ISO (Insurance Service Office). This is incorrect. The correct guidelines are from the International Fire Code, Table 105.1. The planning staff and Planning Commission recommend making this change within the ordinance.

It was moved by Mr. Sommerville, as Land Management Committee Vice Chairman (no second required), the Council approve on first reading text amendments to Beaufort County Zoning and Development Standards Ordinance, Article XIII, Section 106-2828(B) (4) Private Water Systems requiring fire flow to be established according to International Fire Code Table B105.1; Section 106-2828 (C) Alternative water supply text change code shall be 1142 instead of 1231. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

**TEXT AMENDMENT TO BEAUFORT COUNTY ZONING AND DEVELOPMENT STANDARDS ORDINANCE (ZDSO), ARTICLE V (USE REGULATIONS), TABLE 106-1426 (ACCESSORY AND MISCELLANEOUS USE STANDARDS): TO PERMIT FREESTANDING TWO-CAR GARAGES ON ANY RESIDENTIAL LOT**

Mr. Tony Criscitiello, Planning Director, explained in order to build a two car garage, you need a principal residential unit of 1760 square feet. A typical two car garage is 528 feet which is 30% of the size of the principal structure. The text amendment will exclude two car garages from the 30% size limitation rule. The Planning Commission recommended approval, however the County Planning Commission made a modification to that rule that garages shall not exceed the height of the principal structure. We will provide an exception for two car garages less than 600 square feet on individual single family residential lots in terms of free standing structures.

It was moved by Mr. Sommerville, as Land Management Committee Vice Chairman (no second required), the Council approve on first reading a text amendment to Beaufort County Zoning and Development Standards Ordinance (ZDSO), Article V (Use Regulations), Table 106-1426 (Accessory and Miscellaneous Use Standards): to permit freestanding two-car garages on any residential lot with the recommendation that these shall not exceed the height of the structure . The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Mr. W.R. Von Harten. OPPOSED – Ms. L. Von Harten. The motion passed .

**PUBLIC HEARINGS**

**AN ORDINANCE AUTHORIZING A GENERAL OBLIGATION BOND BORROWING OF AN AMOUNT NOT TO EXCEED \$5,000,000**

The Chairman asked Mr. Rodman to give the Finance Committee report prior to the opening the public hearing. The Finance Committee met earlier today and recommends Council approve the bond issuance on third and final reading having received a presentation on Voice over Internet Protocol (VoIP) system which amounts of \$2.7 million of the \$5 million borrowing.

It was moved by Mr. Rodman, as Finance Committee Chairman (no second required), that Council approve on third and final reading an ordinance authorizing a general obligation bond borrowing of an amount not to exceed \$5,000,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

Mr. Rodman explained historically many of the items that had short lives were handled under the operating budget. This particular

year Council looked at actually borrowing against those items, but having a shorter maturing bond to match the general life of the items. Administration had identified \$8.8 million in items that fell into that category and, staff has reduced that down to \$5 million as they scrubbed that list.

The Chairman opened a public hearing at 6:35 p.m. for the purpose of receiving information from the public regarding an ordinance authorizing a general obligation bond borrowing of an amount not to exceed \$5,000,000. After calling three times for public comment and receiving none, the Chairman declared the hearing closed at 6:36 p.m.

It was moved by Mr. Rodman, as Finance Committee Chairman (no second required), that Council approve on third and final reading an ordinance authorizing a general obligation bond borrowing of an amount not to exceed \$5,000,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

### **AN ORDINANCE AUTHORIZING A GENERAL OBLIGATION ANTICIPATION NOTE BORROWING OF AN AMOUNT NOT TO EXCEED \$46,500,000**

The Chairman asked Mr. Rodman to give the Finance Committee report prior to the opening the public hearing.

It was moved by Mr. Rodman, as Finance Committee Chairman (no second required), that Council restore / add back the \$2,255,000 for the construction of a St. Helena Island Library, that had been previously approved, but then a portion of the money had been redirected to other projects. The net result increases the amount of the general obligation anticipation note borrowing from \$46,500,000 to \$48,755,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Rodman, Mr. Sommerville and Ms. L. Von Harten. OPPOSED – Mr. Newton, Mr. Stewart and Mr. W.R. Von Harten. The motion passed .

The Chairman opened a public hearing at 6:39 p.m. for the purpose of receiving information from the public regarding an ordinance authorizing a general obligation anticipation note borrowing of an amount not to exceed \$48,755,000. After calling three times for public comment and receiving none, the Chairman declared the hearing closed at 6:40 p.m.

Mr. Newton is happy to support the addition of \$2,255,000 for construction of a library on St. Helena Island tonight with caveat that the County does not borrow these dollars until they are needed.

Mr. Sommerville suspects the St. Helena Island library is going to be, in part, a Gullah / Geechee Cultural Center in addition to being a library. Council needs to do everything it can to identify and solicit alternate sources of funding for the library construction and operations. Let us not lose sight of the fact that if the County does not have to carry the entire cost of the project, then let's don't. There are a lot of people, who, in the past, have spoken up said they want to help and it is a great idea, and then disappeared into the woodwork when it came time of write the check.

Mr. Stewart encouraged everyone to write to their Congressman, ask for the money. Council should not borrow money and pay interest on money that will not be used in the near future. Wait and borrow it when there is a plan, strategy, and timing for the project.

It was moved Mr. Rodman, seconded by Mr. Sommerville, that Council approve on second reading an ordinance authorizing a general obligation anticipation note borrowing of an amount not to exceed \$48,755,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. OPPOSED – Mr. Rodman. The motion passed .

### **TEXT AMENDMENTS TO THE BEAUFORT COUNTY ZONING AND DEVELOPMENT STANDARDS ORDINANCE, APPENDIX J (DALE COMMUNITY PRESERVATION/CP), DIVISION 2 (DALE MIXED USE DISTRICT), SECTION 2.7 ADDITIONAL DEVELOPMENT STANDARDS—PLACEMENT (EXEMPTS COMMERCIAL DAYCARE CENTERS FROM SIZE REQUIREMENT IN DALE CP MIXED USE DISTRICT)**

The Chairman opened a public hearing at 6:45 p.m. for the purpose of receiving information from the public regarding text amendments to the Beaufort County Zoning and Development Standards Ordinance, Appendix J (Dale Community Preservation/CP), Division 2 (Dale Mixed Use District), Section 2.7 Additional Development Standards—Placement (exempts commercial daycare centers from size requirement in Dale CP Mixed Use District). After calling three times for public comment and

\$50,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

The Vice Chairman returned the gavel to the Chairman in order to continue the meeting.

**PUBLIC COMMENT**

There were no requests to speaking during public comment.

**ADJOURNMENT**

Council adjourned at 8:02 p.m.

COUNTY COUNCIL OF BEAUFORT COUNTY

By: \_\_\_\_\_

Wm. Weston J. Newton, Chairman

ATTEST: \_\_\_\_\_

Suzanne M. Rainey, Clerk to Council

Ratified: September 22, 2008



**September 8, 2008**

Official Proceedings  
County Council of Beaufort County  
September 8, 2008

The electronic and print media were duly notified in  
accordance with the State Freedom of Information Act

The regularly scheduled meeting of the County Council of Beaufort County was held at 4:00 p.m., Monday, September 8, 2008, in Council Chambers of the Administration Building, 100 Ribaut Road, Beaufort, South Carolina.

**ATTENDANCE**

Chairman Weston Newton, Vice Chairman W.R. "Skeet" Von Harten, and members Steven Baer, Rick Caporale, Gerald Dawson, Herbert Glaze, William McBride, Stewart Rodman, D. Paul Sommerville, Gerald Stewart and Laura Von Harten.

**PLEDGE OF ALLEGIANCE**

The Chairman led those present in the Pledge of Allegiance to the Flag.

**INVOCATION**

Mr. William McBride gave the Invocation.

**PUBLIC COMMENT**

The Chairman recognized Mrs. Valerie Truesdale, School District Superintendent, who thanked Mr. William Winn, Emergency Management Director, and his team for their efforts in tracking Hurricane Hanna and keeping the community informed. She thanked Council for supporting and amending the School District FY 2009 budget appropriating not to exceed \$1,737,974 of anticipated additional revenue for the payoff of outstanding 8% bonded indebtedness.

Mrs. Amanda O'Nan, Hilton Head High School principal, thanked Council for their financial support. This summer the Board of Education funded and held a week long Summer Institute. Original projections were 200 teachers participating; however, 700 teachers attended this meeting.

Mr. Dan Durbin, Beaufort High School principal, thanked Council for their financial support. There is a huge demand for new technology within our schools today.

Mr. Ed Burnes, Battery Creek High School principal, commended Council for partnering with the School District to enhance the school system. Teachers visit their students' home and talk with parents about their child's strongest and weakest areas. He urged Council to continue funding programs for the School District in an effort to help children reach their highest expectations.

Mr. Patrick Getsinger, a Hilton Head Island resident, has worked with Mr. Jim Robinson, developer of Okatie Village. Okatie Village represents the latest concept in land development. This development will attract quality residents, quality businesses, and job opportunities for the local community.

Alliance. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Somerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

**AN ORDINANCE AUTHORIZING A GENERAL OBLIGATION ANTICIPATION NOTE BORROWING OF AN AMOUNT NOT TO EXCEED \$48,755,000**

It was moved by Mr. Rodman, as Finance Committee Chairman (no second required), that Council approve on third and final reading an ordinance authorizing a general obligation anticipation note borrowing of an amount not to exceed \$48,755,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Somerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

**MOTION TO EXTEND**

It was moved by Mr. McBride, seconded by Mr. Baer, that Council extend its meeting beyond 8:00 p.m. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Somerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

**AN ORDINANCE TO REDUCE THE ASSESSMENT RATIO ON BOATS (FROM 10.5% TO 6%)**

It was moved by Mr. Rodman, as Finance Committee Chairman (no second required), that Council approve on first reading, by title only, an ordinance to reduce the assessment ratio on boats (from 10.5% to 6%). The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Newton, Mr. Rodman, Mr. Somerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. OPPOSED - Mr. Dawson, Mr. Glaze and Mr. McBride. The motion passed .

**PUBLIC HEARINGS**

**AN ORDINANCE TO AMEND THE BEAUFORT COUNTY SCHOOL DISTRICT 2008 / 2009 BUDGET**

Mr. Rodman, as Finance Committee Chairman, recapped the process Council has been through with the Board of Education in terms of approving their FY 2008 – 2009 budget. The 2008 beginning fund balance was \$13.3 million, revenues anticipated for the year ended June 30, 2008 were \$161.3 million, expenditures anticipated for the year ended June 30, 2008 were \$155.6 million (a reduction from what the School District has anticipated in their budget), and that came down to an year ended June 30, 2008 fund balance of \$19 million. The District's expected 2009 revenues were \$167.4 million and, Council appropriated expenditures were \$166.9 million. There are several components of this process: (i) The ATI component - The assessable transfers of interest (ATI) funds would actually create some additional revenue. The District asked / identified \$3,750,000 in ATI funds and asked if they could move that, along with approximately another \$400,000 in excess of revenues over expenditures effective June 30, 2008, into the debt side of the budget. (ii) The TIF component – The tax increment financing (TIF) funds is a reduction of \$500,000 the District has to pay back to the TIF. (iii) The Tier III component – This issue relates to sales taxes. The District received additional reimbursement from the Department of Education in the amount of \$7.8 million in FY 2008 as well as \$7.8 million in FY 2009. (iv) The State of South Carolina budget component – The budget the state passed is an approximate 3% reduction. Some of that will flow through to the District. Council agrees with the District's assessment that it would be good to reserve an extra \$1 million as a possible short fall. (v) The debt service revenues component – The District has realized a small pick up in the debt service revenue over what was estimated in the amount of \$4 million.

The Chairman opened a public hearing at 6:04 p.m. for the purpose of receiving information from the public regarding an ordinance to amend the School District FY 2009 budget appropriating not to exceed \$1,737,974 of anticipated additional revenue for the payoff of outstanding 8% bonded indebtedness. After calling three times for public comment and receiving none, the Chairman declared the hearing closed at 6:05 p.m.

Mr. Newton stated during the discussion regarding the excess funds coming from collections this fiscal year, other than the payment to the 8% bonded indebtedness, the remaining excess collection, above and beyond that was identified by the Board of Education needed to run schools next year, would go into the fund balance.

Mr. Rodman replied in the affirmative based upon definition.

Mr. Newton remarked there has been much discussion about what this issue is all about, why there is \$6 million to \$8 million being collected, and what is going to happen to it.

Mr. Rodman responded the money will reside in the fund balance. If, and when it is collected, that would certainly leave the possibility, during the year, if the Board of Education felt that there was need or it was desirable to pay down some additional debt, Council could always consider that during the year. Or if they had some other strategic initiative that they thought they wanted to undertake to spend that money, they could certainly come back to Council and ask to adjust the appropriation.

It was moved by Mr. Rodman, seconded by Mr. Baer, that Council approve on third and final reading an ordinance to amend the School District FY 2009 budget appropriating not to exceed \$1,737,974 of anticipated additional revenue for the payoff of outstanding 8% bonded indebtedness. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .  
The Chairman passed the gavel to the Vice Chairman in order to receive committee reports.

### **COMMITTEE REPORTS**

The Vice Chairman announced there were no committee reports.

The Vice Chairman passed the gavel back to the Chairman in order to continue the meeting.

### **PUBLIC COMMENT**

There were no requests to speaking during public comment.

### **CALL FOR EXECUTIVE SESSION**

It was moved by Mr. Stewart, seconded by Mr. Baer, that Council go immediately into executive session for the purpose of receiving legal advice relating to pending and potential claims covered by the attorney-client privilege. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart, Ms. L. Von Harten and Mr. W.R. Von Harten. The motion passed .

### **EXECUTIVE SESSION**

### **ADJOURNMENT**

Council adjourned at 8:45 p.m.  
COUNTY COUNCIL OF BEAUFORT COUNTY

By: \_\_\_\_\_

Wm. Weston J. Newton, Chairman

ATTEST: \_\_\_\_\_

Suzanne M. Rainey, Clerk to Council

Ratified: October 13, 2008

**SUMMARY  
NOTICE-OF  
SALE**

\$48,755,000\* GENERAL  
OBLIGATION BOND  
ANTICIPATION NOTES,  
SERIES 2009--  
BEAUFORT COUNTY,  
SOUTH CAROLINA  
Proposals by hand deliv-  
ery, facsimile or electron-  
ic bid will be received by  
the County Administrator  
of Beaufort County,  
South Carolina (the  
"County") pursuant to the  
Official Notice of Sale.  
Sale Date: Tuesday,  
February 24, 2009  
Sale Time: 11:00 a.m.,  
South Carolina time  
Notes Dated: March 10,  
2009  
Maturity: March 10,  
2010

Redemption Provisions:  
The Notes will not be  
subject to redemption  
as stated therein.  
Book-Entry-Only: The  
Notes will be book-  
entry-only.  
Legal Opinion: McNair  
Law Firm, P.A., Colum-  
bia, South Carolina  
The Notes will be  
issued in book-entry-only  
form as a single note. A  
copy of the Preliminary  
Official Statement in  
deemed final form and  
the Official Notice of Sale  
are available via the  
internet at  
<http://www.rsamuni.com>.  
For additional informa-  
tion, please contact the

County's Bond Counsel,  
Francenia B. Heizer,  
Esquire, McNair Law  
Firm, P.A., telephone  
(803) 799-9800; e-mail:  
fheizer@mcnair.net or  
the County's financial  
advisor, Brian Nurick,  
Rose, Sinclair & Associ-  
ates, LLC, telephone  
(800) 255-0795; e-mail:  
bnurick@rsamuni.com.  
\*Preliminary, subject to  
change.

8047

THE STATE-RECORD CO., INC.  
Columbia, South Carolina  
publisher of  
**The State**

**STATE OF SOUTH CAROLINA  
COUNTY OF RICHLAND**

Personally appeared before me, Brian Nalepa, Advertising Operations  
Manager of THE STATE, and makes oath that the advertisement,

Summary Notice of Sale \$48,755,000 General Obligation Bond Anticipation Notes,  
Series 2009 Beaufort County, SC

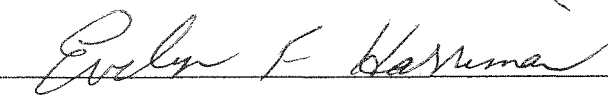
was inserted in THE STATE, a daily newspaper of general circulation for the State  
of South Carolina published in the City of Columbia, State and County aforesaid,  
in the issues of

February 17, 2009



Subscribed and sworn to before me

on this day February 23, 2009



Notary Public

My commission expires  
March 10, 2013

*"Errors- the liability of the publisher on account of errors in  
or omissions from any advertisement will in no way exceed  
the amount of the charge for the space occupied by the item in  
error, and then only for the first incorrect insertion."*

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 17, 2009



RATINGS:  
 Moody's Investors Service: "MIG 1"  
 Standard & Poor's: "SP-1+"  
 (See "RATINGS" herein)

NEW ISSUE - BOOK-ENTRY-ONLY

*Assuming the County's continued compliance with certain covenants, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Bonds is not an item of tax preference for purposes of an individual's alternative minimum tax. Under the present laws of the State of South Carolina, the Bonds and the interest thereon will be exempt from all South Carolina income taxation except estate or other transfer taxes and certain franchise taxes. Such opinion is subject to certain limitations and conditions described in the Section of this Official Statement entitled "TAX EXEMPTION AND OTHER TAX MATTERS."*

**\$48,755,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009  
 BEAUFORT COUNTY, SOUTH CAROLINA**

Dated: March 10, 2009

Due: March 10, 2010

The General Obligation Bond Anticipation Notes, Series 2009 (the "Notes") are issued in anticipation of the issuance of general obligation bonds. The Notes will be general obligation debt of Beaufort County, South Carolina (the "County"), and as such the full faith, credit, resources and taxing power of the County will be irrevocably pledged for the payment thereof. See "THE NOTES-Security" herein.

The Notes will be issued initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for the Depository Trust Company, New York ("DTC"), to which principal and interest payments on the Notes will be made. Individual purchases of Notes will be made in book-entry form only, in the principal amounts of \$100,000 or any integral multiple thereof. So long as Cede & Co., as nominee of DTC, is the registered owner of the Notes, references herein to the holders of the Notes or registered owners of the Notes shall mean Cede & Co. and shall not mean the beneficial owners of the Notes. So long as Cede & Co. is the registered owner of the Notes, the principal and interest on the Notes are payable to Cede & Co. as nominee for DTC, which in turn will remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Notes. See "THE NOTES" – Book-Entry Only System." \_\_\_\_\_ will serve as Registrar/Paying Agent for the Notes.

The Notes will be dated March 10, 2009. Interest will be calculated on the basis of a 30-day month, 360-day year. **The Notes will are not subject to redemption prior to their stated maturity as described herein.**

<u>Maturity</u>	<u>CUSIP</u>	<u>Principal</u>	<u>Interest</u>	<u>Yield</u>
	<u>No.</u>	<u>Amount*</u>	<u>Rate</u>	
March 10, 2010				

Bids will be received until 11:00 a.m., South Carolina time, Tuesday, February 24, 2009, in the office of the County Administrator located at 100 Ribaut Road, Room 156, Beaufort, South Carolina. The Notes are offered when, as and if issued and subject to the approving opinion as to legality of McNair Law Firm, P.A., Columbia, South Carolina. It is expected that the Notes in definitive form will be available for delivery on or about March 10, 2009.

This cover page contains certain information for quick reference only. It is **not** a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed decision. The County deems the Preliminary Official Statement to be final as of its date for purposes of S.E.C. Rule 15c2-12, except information which may be omitted therefrom pursuant to Rule 15c2-12.

Dated: \_\_\_\_\_, 2009.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

**COUNTY COUNCIL  
OF BEAUFORT COUNTY, SOUTH CAROLINA**

Wm. Weston J. Newton, Chairman

Paul Sommerville, Vice Chairman

Steven Baer

Rick Caporale

Gerald Dawson

Brian E. Flewelling

Herbert N. Glaze

William L. McBride

Stewart H. Rodman

Jerry Stewart

Laura Von Harten

Gary Kubic

County Administrator

David Starkey

Chief Financial Officer

Bond Counsel

McNair Law Firm, P.A.  
Columbia, South Carolina

Financial Advisor

Ross, Sinclaire & Associates, LLC  
Columbia, South Carolina

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APPENDIX B - Form of Legal Opinion

APPENDIX C - Form of Disclosure Dissemination Agent Agreement



## INTRODUCTION

This Official Statement is provided for the purpose of furnishing certain information in connection with the public invitation for bids for the purchase of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 (the "Notes") of Beaufort County, South Carolina (the "County"). This Official Statement has been prepared under the supervision of David Starkey, Chief Financial Officer. The information furnished herein includes a description of the Notes, the County and its indebtedness, tax information, economic data, financial information and other matters. Also included are certain information and data pertaining to the County and the State of South Carolina (the "State").

## THE NOTES

### Description

The Notes will be general obligation notes of the County; will be issued initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for DTC. Purchases of beneficial interest in the Notes will be made in book-entry form only, in the denomination of \$100,000 or any integral multiple thereof. The Notes will be dated March 10, 2009, the expected date of delivery, and will mature on March 10, 2010. Interest shall be calculated on a 360-day year, 30-day month basis.

### Redemption Provisions

The Notes shall not be subject to redemption prior to maturity.

### Book-Entry-Only System

Beneficial ownership interests in the Notes will be available only in book-entry form. Beneficial owners of the Notes ("Beneficial Owners") will not receive physical Notes certificates representing their interests in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, references in this Official Statement to the Holders of the Notes shall mean DTC or its nominee and shall not mean the Beneficial Owners. Unless and until the book-entry only system has been discontinued, the Notes will be available only in book-entry form in principal amounts of \$100,000 or any integral multiple thereof.

THE FOLLOWING DESCRIPTION OF DTC, ITS PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE NOTES TO DTC PARTICIPANTS (AS DEFINED HEREIN) OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

*Depository Trust Company.* The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the Notes, and will be deposited with DTC.

*DTC Participants and Indirect Participants.* DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the

meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of certificated Notes. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

*Beneficial Owners.* Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that the use of the book-entry only system for the Notes is discontinued.

*Transfers and Exchanges.* To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co., or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants; by Direct Participants to Indirect Participants; and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Ordinance. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to

provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

*Notices; Redemption.* Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Notes to be redeemed.

*Consents and Voting.* Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

*Principal and Interest Payments.* Redemption proceeds, distributions and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, the Registrar or the County subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, and disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursements of such payments to Beneficial Owners will be the responsibility of the Direct and Indirect Participants. THE COUNTY CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its service as depository for the Notes at any time by giving reasonable notice to the Registrar or the County. Under such circumstances, in the event that a successor depository is not obtained, Notes are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered to DTC.

*The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.*

## **Purposes**

Ordinance No. 2008/34 adopted by the County on September 8, 2008 (the "Ordinance"), provides that the proceeds of the Notes will be used for the purposes of: (i) defraying the costs of: the County Rural and Critical Land Preservation Program by purchasing open land, development rights and conservation easements in all areas of the County; and (ii) paying the costs of issuance of the Notes in anticipation of the issuance of general obligation bonds of the County and the receipt of the proceeds thereof.

## Security

For the payment of the principal and interest on the Notes as they respectively mature and for the creation of such sinking fund as may be necessary therefor, the full faith, credit and taxing power of the County are irrevocably pledged and there shall be levied annually by the County auditor and collected by the County treasurer in the same manner as other County taxes are levied and collected, as tax, without limit, on all taxable property in the County sufficient to pay the principal and interest of the Notes as they respectively mature and to create such sinking fund as may be necessary therefor.

In addition, Article X of the Constitution of the State of South Carolina, 1895, as amended, provides:

If at any time any political subdivision shall fail to effect the punctual payment of the principal of or interest on its general obligation debt, then, in such instance, the State Treasurer shall withhold from such political subdivision sufficient moneys from any state appropriation to which such political subdivision may be entitled and apply so much as shall be necessary to the payment of the principal and interest on the indebtedness of the political subdivision then due.

The following table shows the amount of such State appropriations subject to being withheld under the foregoing provisions of Article X received by the County for the last five fiscal years for which information is available and the amount the County projects to receive in the current fiscal year:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2004	\$5,376,815
2005	5,546,441
2006	5,697,599
2007	6,267,441
2008	6,970,132
2009*	7,200,000

\*Projected

## Authorization

The Notes will be issued pursuant to and in accordance with the Constitution and laws of the State, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 4, Chapter 15 and Title 11, Chapters 17 and 27, Code of Laws of South Carolina 1976, as amended; the favorable results of a referendum; and the Ordinance duly adopted by County Council.

## Initiative and Referendum

Section 4-9-1220, Code of Laws of the State of South Carolina 1976, as amended (the "Code") provides that within 60 days after the enactment of any ordinance authorizing the issuance of bonds, the repayment of which requires a pledge of the full faith and credit of a county, a petition signed by 15% of the qualified electors of the county may be filed requesting that any such ordinance be repealed. If such ordinance is not repealed, the question of repeal of the ordinance must be submitted to the electors within one year.

A county, under Section 11-27-40 of the Code, may publish a notice in a newspaper of general circulation in the county of the adoption of an ordinance authorizing general obligation bonds. In the event such a notice is published, the above initiative and referendum provisions would not be applicable unless a notice, signed by not less than five qualified electors, of the intention to seed a referendum, were to be filed with the clerk of court of the county and the clerk of the county council within 20 days following such publication.

The Ordinance authorizing the Notes was enacted on September 8, 2008. No notice of intention to seek a referendum within the 60-day period was filed.

### **Defeasance**

The obligations of the County under the Ordinance and the pledges, covenants and agreements of the County therein made or provided for, shall be fully discharged and satisfied as to any portion of the Notes, and such Note or Notes shall no longer be deemed to be outstanding when:

(a) such Note or Notes shall have been purchased by the County and surrendered to the County for cancellation or otherwise surrendered to the County or the Paying Agent and is canceled or subject to cancellation by the County or the Paying Agent; or

(b) payment of the principal of and interest on such Notes either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Paying Agent in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment, or (2) Government Obligations (as defined below) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Paying Agent. At such time as the Notes shall no longer be deemed to be outstanding thereunder, such Notes shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government Obligations as set forth in (ii) above, shall no longer be secured by or entitled to the benefits of the Ordinance.

“Government Obligations” means any of the following:

(a) non-callable direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America; and

(b) non-callable, U.S. Treasury Securities - State and Local Government Series (“SLGS”).

## **THE COUNTY**

### **General Description**

The County is located in the southeastern corner of the State of South Carolina, known as the “Lowcountry.” With a land area of approximately 637 square miles, it is bordered to the south and east by the Atlantic Ocean, to the west by Jasper County, and to the north by Hampton County and Colleton County. The County stretches nearly 30 miles along the Atlantic Ocean and includes 64 major islands and hundreds of small islands.

**Form of Government**

The County operates under the Council-Administrator form of government in accordance with Title 4, Chapter 9 of the Code of Laws of South Carolina, 1976, as amended (the "Home Rule Act"). The County Council consists of 11 members who are elected in each general election from single member districts for four year terms beginning on January 1 of the year of their election. Beginning in 1994, five members are elected in presidential election years and six members are elected in other general election years. The council elects a Chairman at its first meeting in January following the general election. The members of the County Council, their occupations, the districts they represent and the years in which their present terms expire are as follows:

<u>Name</u>	<u>Occupation</u>	<u>District</u>	<u>Term Ends</u>
Wm. Weston J. Newton, Chairman	Attorney	Bluffton/ Daufuskie Island #4	12/2010
Paul Sommerville, Vice Chairman	Management Consultant	Lady's Island/Beaufort #7	12/2010
Steven Baer	Electrical Engineer	Hilton Head #2	12/2010
Rick Caporale	Telecommunications Consultant	Hilton Head Island #1	12/2010
Gerald Dawson	Minister	Sheldon/Dale/Lobeco #6	12/2012
Brian E. Flewelling	Title Abstractor	Burton #9	12/2012
Herbert N. Glaze	Public Educator	Burton #8	12/2012
William L. McBride	Retired Public Educator	St. Helena Island #5	12/2012
Stewart H. Rodman	Businessman	Hilton Head #3	12/2010
Jerry Stewart	Businessman	Sun City #10	12/2010
Laura Von Harten	Marketing/Product Dev.	Beaufort/Port Royal #11	12/2010

In addition to the County Council, the County has six other elected officials who are responsible for the duties specified in the legislation establishing their offices: Auditor, Coroner, Sheriff, Clerk of Court, Probate Judge, and Treasurer.

**County Employees**

The County Council appoints a County Administrator who serves at the pleasure of County Council and is responsible for County operations, subject to supervision of County Council. The County Administrator has the responsibility for preparing the County's annual budget for submission to County Council prior to the beginning of each fiscal year. The County Administrator supervises the expenditure of appropriated funds. Changes in the budget in the course of the fiscal year must be approved by County Council. See "**FINANCIAL AND TAX INFORMATION - Budget Procedure.**"

Following are brief resumes of the County Administrator, the Chief Financial Officer, and the Treasurer, who comprise the principal financial officials of the County.

*Gary Kubic, County Administrator.* Mr. Kubic, holds a Juris Doctor degree from the University of Akron School of Law, and a Bachelor of Science degree in Business Administration from Ohio State University. Prior to coming to work for the County, Mr. Kubic was Administrator of Mahoning County, Ohio from 1993 to 2003. Prior to his tenure with Mahoning County, Mr. Kubic served the City of Youngstown for 18 years, including 8 years as Finance Director. He was appointed County Administrator in December 2003.

*David Starkey, Chief Financial Officer.* Mr. Starkey, a graduate of the University of South Carolina and the University of Delaware, obtained his CPA certification in 2005. Prior to coming to work for the County in November 2007, Mr. Starkey was an audit manager at ElliottDavis, LLC. He was appointed to Chief Financial Officer in January 2009.

*Joy Logan, Treasurer.* Ms. Logan was elected and began serving her first term as County Treasurer on January 2, 1991. Previous to serving as Treasurer, Ms. Logan was self-employed as an investment advisor and accountant.

As of June 30, 2008, the County employed 1,209 full-time employees, consisting of:

<u>Department</u>	<u>Full Time</u>
General Government	268
Public Safety	458
Public Works	125
Public Health	27
Public Welfare	122
Culture and Recreation	159
Enterprise Funds	<u>50</u>
Total	1,209

### **Services Provided**

The County provides various local services which are funded primarily from the County's ad valorem tax levy as reflected in its annual budget for the fiscal year ended June 30, 2006; these services include: administrative services; judicial services; law enforcement; public works, community and human services; and other miscellaneous services. The County also collects fees and user charges to offset the cost of providing certain of these services.

### **Services Provided by other Governmental Entities**

The municipalities located within the County (including the City of Beaufort, the Town of Port Royal, the Town of Bluffton, and the Town of Hilton Head Island) also provide many of the services listed above and, in some cases, additional services not provided by the County. In addition, several special purpose districts created by State legislation, some of which have taxing authority, provide certain services with funds from taxes levied and collected on their behalf by the County. Water and sewer services are provided by the Beaufort-Jasper Water and Sewer Authority and municipalities and other public service districts within the County. Fire protection is provided by organized fire districts, public service districts, voluntary fire fighting units and municipal fire departments.

County government does not control these separate bodies. Refuse collection is franchised to private contractors. Household garbage transfer stations are provided at various locations throughout the County.

### **Fringe Benefits, Retirement, and Health Insurance**

The County maintains an employee health insurance plan for all full-time County employees. Premiums are paid to Blue Cross / Blue Shield for health insurance coverage and United Concordia for dental coverage. The employees pay premiums for spouse and/or dependent coverage.

All full-time employees of the County are under the Retirement Plan established by the State of South Carolina for county employees. The plan is funded on a matching basis, using an actuarial method, by the employees and the County. The employees contribute 6.5% of their gross salary. The County's share is 10.3% of the total gross salaries of policemen and 9.06% of the total gross salaries of all other employees. In the opinion of the independent actuary servicing all of the State's pension plans, the plans remain actuarially sound and the sufficiency of the retirement funds to provide benefits called for by the plans may be safely anticipated.

The County provides all employees with worker's compensation insurance through participation in the South Carolina Association of Counties Self-Insurance Trust.

All employees must contribute 7.65% of their gross salaries for Social Security (FICA), consisting of 6.2% for Old Age Survivor Insurance and 1.45% for Medicare, which contributions are matched by the County.

### **Liability Insurance**

Subject to specific immunity set forth in the South Carolina Tort Claims Act (the "Act"), local governments including the County are liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Budget and Control Board, private carriers, self-insurance or pooled self-insurance funds. The County currently maintains liability insurance coverage with the South Carolina Insurance Reserve Fund. In the opinion of the County's Interim Administrator, the amount of liability coverage maintained by the County is sufficient to provide protection against any loss arising under the Act.

### **School District**

The School District of Beaufort County (the "School District") is coextensive with the County. The School District, which was established by State legislation, provides certain services with funds from taxes levied and collected for it by the County. The School District currently operates 16 elementary schools, six middle schools, four senior high schools, one early childhood center, and one career education center.

## **DEBT STRUCTURE**

### **Legal Debt Limit of the County**

Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), provides that counties shall have the power to incur bonded indebtedness in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law. General obligation debt may be incurred only for a public and corporate purpose in an amount not exceeding 8% of the assessed value of all taxable property of such county without the necessity of holding a referendum. General obligation debt authorized by a majority vote of the qualified electors of the County voting in a referendum may be incurred without limitation as to amount. Title 4, Chapter 15 of the Code provides that the governing bodies of the several counties of the State may issue general obligation bonds to defray the cost of any authorized purpose and for any amount not exceeding its applicable constitutional debt limit.



Under Article X, Section 14 of the Constitution, bonded indebtedness of the County existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of the qualified electors of the County voting in a referendum is not considered in determining the County's 8% debt limitation.

The County's debt limitation is computed below:

Assessed Value (tax year 2007)	\$1,660,160,322
	<u>x8%</u>
Constitutional Debt Limit	\$ 132,812,826
Outstanding Debt Subject to Limit	<u>\$ 65,385,000</u>
Legal Debt Limit Without a Referendum	\$ 67,427,826

\$20,000,000 of the Notes will be issued pursuant to a Referendum held in the County on November 7, 2006; the remaining amount of Notes issued (a maximum of \$28,755,000) will count against the County's constitutional debt limit. Simultaneously with the issuance of the Notes, the County intends to issue its \$5,000,000 General Obligation Bonds, Series 2009A (the "2009A Bonds"), which will also count against its constitutional debt limit.

### Outstanding Indebtedness

The following table sets forth the amount of general obligation indebtedness of the County (including special assessment districts) at the end of each of the past five fiscal years:

Year Ended	General Obligation
<u>June 30</u>	<u>Indebtedness</u>
2004	\$ 86,000,000
2005	106,175,000
2006	100,645,000
2007	141,670,000
2008	177,515,000

### Description of General Obligation Indebtedness by Issue

The following table gives specific information concerning all general obligation issues of the County outstanding as of the date hereof.

Date of Issue	Interest Rates	Maturity Dates	Amount Outstanding
04-15-2001	4.25%-4.50%	02/01/2010-11	\$ 4,410,000
03-01-2002	4.00%-5.00%	02/01/2010-22	15,380,000
06-15-2003 <sup>1</sup>	2.25%-5.00%	02/01/2010-23	21,750,000
10-15-2004 <sup>2</sup>	3.00%-5.00%	02/01/2010-25	29,900,000
11-02-2006	3.50%-8.00%	03/01/2009-26	16,650,000
11-30-2006 <sup>3</sup>	4.00%-5.00%	03/01/2009-26	29,500,000
10-03-2007 <sup>3</sup>	4.00%-5.00%	03/01/2009-27	25,350,000
11-07-2007 <sup>4</sup>	4.00%-5.00%	02/01/2010-20	<u>17,295,000</u>
Total			\$160,235,000

<sup>1</sup> \$11,750,000 is included in 8% debt limit

<sup>2</sup> \$9,900,000 is included in 8% debt limit

<sup>3</sup> Debt approved by referendum

<sup>4</sup> \$7,295,000 is included in 8% debt limit

### Other Financial Obligations

The County has one outstanding equipment lease. The ten-year contract with Motorola requires payments of \$40,000 per year from 2004 to 2014. The balance as of June 30, 2008 is \$210,091.

### Composite Debt Service

The following table sets forth the debt service requirements for the County's outstanding bonds and the projected debt service on the 2009A Bonds with interest on the 2009A Bonds computed at a projected net interest cost of 2.123%.

Fiscal Year <u>Ending June 30</u>	Principal and Interest <u>on Outstanding Bonds</u>	Projected Principal and Interest <u>on Proposed Bonds</u>	Total Debt <u>Service</u>
2009	\$12,874,979	\$ 50,316	\$ 12,925,295
2010	13,255,504	1,719,628	14,975,132
2011	13,460,506	1,720,845	15,181,351
2012	12,243,606	1,724,181	13,967,787
2013	12,632,375	---	12,632,375
2014	12,841,438	---	12,841,438
2015	13,341,231	---	13,341,231
2016	13,488,794	---	13,488,794
2017	13,811,069	---	13,811,069
2018	13,811,238	---	13,811,238
2019	14,320,363	---	14,320,363
2020	14,830,100	---	14,830,100
2021	12,991,325	---	12,991,325
2022	14,510,238	---	14,510,238
2023	14,006,750	---	14,006,750
2024	13,233,875	---	13,233,875
2025	9,927,313	---	9,927,313
2026	6,709,813	---	6,709,813
2027	<u>2,508,000</u>	<u>---</u>	<u>2,508,000</u>
Total:	\$234,798,517	\$5,214,970	\$240,013,487

## General Obligation Debt on a Per-Capita Basis

The following table sets forth the amount of general obligation indebtedness and capital lease obligations of the County for each of the past five fiscal years expressed per capita and as a percent of assessed property value:

Year Ended <u>June 30</u>	General Obligation and		% of Assessed <u>Value</u>
	Lease Purchase <u>Indebtedness</u>	County Debt <u>Per Capita</u> <sup>1</sup>	
2004	\$ 81,285,300	\$ 620.82	8.79%
2005	106,473,150	789.22	6.92
2006	125,914,926	903.70	8.37
2007	141,910,588	988.14	8.97
2008	177,725,091	1,201.48	10.71

<sup>1</sup> Based on estimates of a 2002 population of 124,799 a 2003 population of 128,559, a 2004 population of 130,933, a 2005 population of 134,910, a 2006 population of 139,333, a 2007 population of 143,614, and a 2008 population of 147,922.

Source: County

## Anticipated Capital Needs

The County developed a five-year capital improvements program in coordination with the comprehensive long-range plan adopted by County Council during 1998. This program is reviewed annually to ensure that the projects are prioritized appropriately based on current needs and circumstances.

The County's capital improvement plan is currently under review. The County has completed a Southern Regional Plan and is in the process of completing a Northern Regional Plan. When complete, the County will develop a County-wide capital improvement plan blending the two plans.

## Legal Debt Limit of Incorporated Municipalities and Special Purpose Districts

Under the provisions of Article X, Section 14 of the Constitution, each incorporated municipality and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law (a) incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding eight percent (8%) of the assessed value of all taxable property therein.

## Legal Debt Limit of School Districts

Article X, Section 15 of the Constitution empowers each school district of the State to incur general obligation debt in such manner and upon such terms and conditions as the General Assembly shall prescribe by law. After November 30, 1982, each school district may incur general obligation debt, upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district. Bonded indebtedness existing on November 30, 1982, and bonded indebtedness authorized by a majority vote of the qualified electors of the school district voting in a referendum will not be considered in the computation of the 8% limitation.

## Overlapping Debt

The following table sets forth the total amount of indebtedness in each political subdivision and special purpose district which overlaps the County, either in whole or in part which was outstanding as of June 30, 2008.

<u>Political Subdivision</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to County</u>
Beaufort County School District	\$292,895,000	100%
<u>Municipalities</u>		
City of Beaufort		100%
Town of Hilton Head	70,585,000	100%
Town of Port Royal	738,118	100%
Town of Bluffton	14,509,079	100%
<u>Special Purpose Districts</u>		
Broad Creek PSD	6,435,000	100%
Fripp Island PSD	5,451,440	100%
Hilton Head #1 PSD	51,675,750	100%
South Beach PSD	4,520,000	100%
<u>Special Tax/Fire District<sup>1</sup></u>		
Bluffton Fire	1,688,191	100%
Burton Fire		100%
Daufuskie Island Fire	51,120	100%
Lady Island/St. Helena Fire	1,740,522	100%
Sheldon Fire District	509,222	100%

<sup>1</sup> Issued by County, but not includable against 8% debt limit

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2008

## Miscellaneous Debt Information

The County has not defaulted in the payment of principal or interest, or in any other material respect, with respect to any of its securities at any time within the last 25 years, nor has the County within such time issued any refunding bonds for the purpose of preventing a default in the payment of principal or interest on any of its securities then outstanding. The County has not used the proceeds of any bonds or other securities (other than tax anticipation Bonds) for current operating expenses at any time within the last 25 years.

## CERTAIN FISCAL MATTERS

### Property Assessment Rates

Article X of the South Carolina Constitution mandates that the assessment of all property, both real and personal, shall be equal and uniform and that the following ratios shall apply in the appropriate classifications of property:

- (1) Real and Personal Property of Manufacturers and Utilities -- 10.5% of fair market value;
- (2) Transportation Companies for Hire (railroads and pipelines) -- 9.5% of fair market value;
- (3) Inventories of Business Establishments -- 6% of fair market value;<sup>(1)</sup>
- (4) Legal Residence and not more than five contiguous acres -- 4% of fair market value;
- (5) Agricultural property used for such purposes owned by individuals and certain small corporations -- 4% of use value (if the property owner makes proper application and qualifies);
- (6) Agricultural and timberlands belonging to large corporations (more than 10 shareholders) -- 6% of use value; (if the property owner annually makes proper application and qualifies);
- (7) All other real property -- 6% of fair market value; and
- (8) Motor Vehicles -- 6%; and
- (9) All other personal property -- 10.5% of fair market value.

<sup>(1)</sup> The business inventory tax provided for by Section 12-37-1420, Code of Laws of South Carolina, 1976, as amended, has been phased out by a 1984 amendment thereto, Act No. 512, Part II, Section 16(3), page 3036 of the 1984 Acts of the General Assembly of the State of South Carolina. The amendment also provides that the exemption is conditioned on the appropriation by the State to the counties, school districts and municipalities for each year an amount equal to the tax revenue not collected by reason of the exemption. The amendment further provides that the business inventory exempted from property taxation shall nevertheless be considered taxable property for purposes of bonded indebtedness pursuant to Sections 14 and 15 of Article X of the South Carolina Constitution and for purposes of computing the "index of taxpaying ability" pursuant to item (3) of Section 3 of Act No. 163 of 1977 (South Carolina Education Finance Act). Pursuant to Act No. 540 of 1986, page 4875 of the Acts of the General Assembly of the State of South Carolina, the aforementioned appropriation by the State was set at a constant level based upon the amount of the appropriation to each political subdivision in 1987.

In South Carolina, local taxes for counties, schools and special purpose districts are levied as a single tax bill which each taxpayer must pay in full. Taxes are levied by the Auditors of the various counties. In the County, current and delinquent tax collections are made through the office of the County Treasurer. Tax bills are mailed from the County Treasurer's office on September 30 or as soon thereafter as is practicable. Real and personal property taxes (except taxes on motor vehicles) are payable on a monthly basis and are payable on or before January 15 without penalty. A penalty of 3% is added on January 16th, an additional penalty of 7% is added on February 2nd and an additional penalty of 5% is added on March 17th, at which time the office of the County Treasurer issues orders of execution on all unpaid accounts. The County Sheriff is authorized to seize by appropriate means the personal property of a defaulting taxpayer. Thereafter, such property may be sold to satisfy unpaid personal property taxes. Delinquent taxes on real property may be collected through sale of the property by the County.

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. The County is completing a reassessment in Fiscal Year 2008 which will be implemented in Fiscal Year 2009. Regulations adopted by the DOR prior to the 1995 law and which are still in place also require that a

reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value.

The Comptroller General of the State may extend the time for assessment and collection of taxes by county officials. Unpaid taxes, both real and personal, constitute a first lien against the property taxed.

The County Assessor appraises and assesses all the real property and mobile homes located within such county and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the counties in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and also of business equipment.

Each year the DOR certifies its assessments to the County Auditors each of whom prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection. South Carolina has no statewide property tax.

### **State Tax Reform**

On June 1, 2006, the South Carolina General Assembly adopted House Bill 4449 which became Act 388 ("Act 388"), which provides, among other things, a new mechanism for the funding of a portion of school operations and a limitation on annual growth in millage levied by political subdivisions and school districts for operations.

#### *Sales Tax Imposition; Exemption of Owner-Occupied Property from School Operating Taxes.*

Pursuant to Act 388, an additional one percent sales tax will be imposed State-wide beginning on June 1, 2007. The additional tax does not apply to certain items, including certain accommodations (e.g., hotels, motels, campgrounds and the like), items taxed at a defined maximum tax (e.g., automobiles, taxed at a maximum of \$300, regardless of sales price), and unprepared food (upon which the 5% tax was reduced to 3% on October 1, 2006, and then eliminated on November 1, 2007). Receipts from the new one percent sales tax must be credited to the "Homestead Exemption Fund" created pursuant to Act 388.

Effective beginning with tax year 2007, all owner-occupied real property in the State will be exempted from ad valorem real property taxes levied for school district operations (the "New Homestead Exemption"). Proceeds of the sales tax deposited in the Homestead Exemption Fund will be distributed to all school districts of the State in substitution for the ad valorem real property taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event shall the amount of sales taxes distributed to the school district or districts within any county be less than \$2,500,000 in the aggregate.

As described above, the New Homestead Exemption is for owner-occupied real property. Commercial property and other nonowner-occupied residences will continue to be subject to ad valorem real property taxes, including for school district operations. See "*—Local Option Sales Tax for Additional Tax Relief.*"

Act 388 provides that reimbursement in Fiscal Year 2007-08 for amounts not collected by reason of the New Homestead Exemption shall be equal to the amount estimated to be otherwise collected in Fiscal Year 2007-08 by the school district from school operating millage imposed on owner-occupied residential property therein. Beginning in Fiscal Year 2008-09 and continuing each year thereafter, the

aggregate reimbursement to the school districts of the State will increase by an amount equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. The aggregate amount of the reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district's weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the State's "Education Finance Act."

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys as described in the preceding paragraphs must be distributed to the 46 counties of the State, proportionately based upon population, and applied as a credit against ad valorem real property taxes levied against, first, owner-occupied real property, and, thereafter, to all other classes of taxable property, for county operating purposes.

To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts of the State as described above, the difference must be paid from the State's general fund. Enforcement of the requirement described in the preceding sentence is not self-executing, and will in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly.

#### *Limitation on Millage Increases*

Act 388 also imposes a limitation on increases in millage levied for operational purposes by all political subdivisions and school districts. As of July 1, 2007, annual millage levies may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district, as the case may be. This limitation does not apply to millage that is levied to pay bonded indebtedness. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision or school district, as applicable, but only for the following purposes and only in a year in which such condition exists:

- (1) a deficiency of the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
- (3) compliance with a court order or decree;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the proceeding year; or
- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.

#### *Local Option Sales Tax for Additional Tax Relief*

Act 388 further authorizes the imposition within a county, subject to approval by referendum, of a local sales tax to provide additional property tax relief. The local sales tax authorized by Act 388 may only be imposed to the extent necessary to provide a 100% credit to all classes of taxable property against

(a) county operating taxes, (b) school operating taxes, or (c) both, as set forth on the referendum ballot. In no event, however, may the rate of such local sales tax exceed one percent. Act 388 also provides a procedure for rescinding this local sales tax, as well as any other local sales taxes in force as of June 1, 2006. No assurance can be given that the County will not conduct such a referendum, or that such a local option sales tax will not be implemented within the County.

Act 388 further provides that if a county has enacted a tax increment financing redevelopment plan, or other financing plan that relies upon property tax for its funding to retire indebtedness or pay for project costs, the rate of the local option sales tax must be set in an amount that considers the full funding for the project or retirement of indebtedness, which includes compliance with any covenants in the governing documents authorizing the indebtedness. The revenues of such tax attributable to the funding replacement for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the Code of Laws of South Carolina 1976, as amended.

#### *Reassessment Valuations Limited*

Act 388 also provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale of any parcel of real property or other “assessable transfer of interest” including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value. The limitations on reassessment described in this paragraph were approved in a State-wide referendum held on November 7, 2006.

#### **Homestead Exemptions -- Property Tax Relief**

South Carolina provides, among other exemptions, two exemptions for homesteads. The first is a general exemption from all ad valorem property taxes and applies to the first \$50,000 of the fair market value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled or legally blind (the “Homestead Exemption”). In the case of the Homestead Exemption, the State reimburses each taxing entity the amount to which it is entitled to by April 15 of each year from the State’s general fund. The County received \$926,764 in the 2007-08 Fiscal Year and projects to receive \$1,030,000 in the 2008-09 Fiscal Year. The second exemption (the “Property Tax Relief Exemption”), which was replaced as of July 1, 2007 with a more extensive exemption pursuant to Act 388, applies only to ad valorem taxes levied for school operating budgets (exclusive of amounts in those budgets for the payment of lease-purchase agreements for capital construction) (the “School Taxes”) and has no effect on county and municipal taxes.

#### **Payments in Lieu of Taxes**

An industrial project which involves an initial investment of at least \$5,000,000, and is owned by a county (or counties) and leased to the industrial user of such project may provide in the lease agreement between the parties for a fee in lieu of taxes with respect to such project, provided that this lease agreement provides for:

- (1) Before the property is placed in service, a payment equal to the taxes that would otherwise be due on the undeveloped property had it remained taxable;
- (2) After the property is placed in service, an annual payment for not more than twenty years determined in accordance with one of several formulas, all of which calculations must be made on the



basis that the property, if taxable, is allowed all applicable ad valorem tax exemptions except certain exemptions allowed to manufacturers.

(3) At the conclusion of the payments determined pursuant to items (1) and (2), an annual payment equal to the taxes due on the project as if it were taxable.

(4) Gross revenues of a school district in which a project is located in any year such fee is paid may not be less than gross revenues of the district in the year before the first year for which such fee is paid. In negotiating the fee, the parties shall assume that the formulas for the distribution of State aid at the time of the execution of the agreement will remain unchanged for the duration of the agreement.

Distribution of the payment in lieu of taxes on the project must be made in the same manner and proportion that the millage levied for school and other purposes would be distributed if the property were taxable. Millage rates must be determined for school and other purposes as if the property were taxable. Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits, and for purposes of computing the index of taxpaying ability pursuant to the South Carolina Education Financing Act. From the date of execution of the agreement the lessee of the project has not more than five years in which to meet the required minimum investment level required. If this requirement is not timely met, all property financed under the lease agreement reverts retroactively to the tax treatment otherwise applicable to such property.

**Assessed Value of Taxable Property in the County**

The assessed value of all taxable real and personal property (non-industrial property) and the assessed value of all real and personal industrial property in the County for each of the last five tax years are set forth below. The growth in resort and residential communities has been the principal factor in the increase in assessed valuation in the County over the period.

Tax Year	Real		Personal		Total	
	Assessed	True	Assessed	True	Assessed	True
2003	\$ 740,613,636	\$15,649,673,497	\$184,242,061	\$1,897,765,656	\$ 924,855,697	\$17,547,438,153
2004 <sup>1</sup>	1,354,125,807	27,588,978,918	184,286,675	1,911,616,663	1,538,412,482	29,500,595,581
2005	1,342,243,568	27,504,991,147	162,980,756	2,029,648,269	1,505,224,324	29,435,639,416
2006	1,397,740,562	31,569,997,800	184,669,523	2,419,677,833	1,582,410,085	33,989,675,633
2007	1,452,621,579	32,753,008,310	207,538,743	2,626,086,500	1,660,160,322	35,379,094,810

<sup>1</sup> Reassessment. Effective for the calendar year 2004, the County reassessed all real property located within the County. This was the first reassessment in six years. This reassessment resulted in an 83% increase in the amount of the assessed value for real property within the County. The adjustments resulting from appeals of the reassessed values are reflected in the 2005 and 2006 values.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2008

**Estimated True Value of All Taxable Property in the County**

The estimated true value of all taxable property in the County for Tax Year 2007 is \$31,537,913,733.

<u>Classification of Property</u>	<u>Tax Year 2007 Assessed Value</u>	<u>Tax Year 2007 Estimated True Value</u>
1. Real Property (non-manufacturing) and Mobile Homes	\$1,496,222,741.00	\$28,978,905,592.00
2. Motor Vehicles	91,447,129.00	1,524,118,817.00
3. Public Utilities	35,059,355.00	333,898,619.00
4. Manufacturing Property (Real and Personal)	2,672,730.00	25,454,571.00
5. Marine Equipment/Boats	10,255,687.00	97,673,210.00
6. Business Personal Property	58,966,952.00	561,590,019.00
7. Railroads	1,708,655.00	16,272,905.00
8. Fee in Lieu Property	-0-	-0-
<b>TOTAL</b>	<b>\$1,696,333,249.00*</b>	<b>\$31,537,913,733.00</b>

\*This figure does not include the following:

- (1) Manufacturers reimbursement assessed value
- (2) Business Personal Property Lock-In assessed value
- (3) Motor Carrier reimbursement assessed value

Source: County Auditor

**Exempt Manufacturing Property in the County**

Article X, Section 3 of the Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may by ordinance grant a similar exemption to manufacturing establishments. Presently there is no exempt manufacturing property located in the County.

**Tax Rates**

The millage assessed for County operations and debt service in each of the last five fiscal years is set forth below:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operations	40.1	42.9	32.7	33.7	37.7
Debt Service	7.2	7.2	5.4	5.4	5.4
Real Property Program	2.0	2.0	1.5	1.5	2.5
Solid Waste/Recycling	4.7	5.9	4.5	4.5	N/A
Total	54.0	58.0	44.1	45.1	45.6

Source: County Auditor

## Tax Collection Procedure

In the County, taxes are collected for County and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar year basis. Real and personal property taxes in the County are payable on or before January 15 of each year for the prior tax year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. If real property taxes are not paid on or before January 15, a penalty of 3% is added; if not paid by February 1, an additional penalty of 7% is added; if not paid on or before March 17, an additional penalty of 5% is added and taxes go into execution. Unpaid taxes, both real and personal, constitute a first lien against the property. The County Treasurer is empowered to seize and sell so much of the defaulting taxpayer's estate -- real and personal or both -- as may be sufficient to satisfy the taxes.

Act 388 permits counties to allow real property taxpayers to elect to pay their taxes in six installments each year for tax years beginning after 2006.

## Tax Collections for Last Five Years

The following table shows operational, general fund, debt service fund, real property program and solid waste/recycling fund taxes levied (adjusted to include additions, abatements, and nulla bonae) for the County, taxes collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes (which taxes include taxes levied in prior years but collected in the year shown) and the percentage of taxes collected for the last five fiscal years.

Fiscal Year	Adjusted Tax Levy	Current Taxes Collected	Current Percentage Collected	Delinquent Taxes Collected	Total Percentage Collected
2004	\$53,641,630	\$50,203,062	93.6%	\$4,251,126	101.5%
2005	63,554,010	60,416,187	95.1	3,438,851	100.5
2006	66,885,604	62,744,316	93.8	3,426,155	98.9
2007	70,512,827	66,902,823	93.4	3,631,521	98.5
2008	76,299,793	73,235,825	94.1	3,079,627	98.0

Source: County Treasurer

## Ten Largest Taxpayers

The 10 largest taxpayers in the County, the assessed value of each, and the amount and the percentage of 2007 tax year taxes paid by each to the County Treasurer for all County, municipal and other taxes collected by the County Treasurer, are shown below.

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Taxes Paid</u>	<u>Percentage of Total Taxes Levied</u>
Marriott Resort	\$18,718,480	\$ 3,550,827	4.7%
South Carolina Electric & Gas	14,331,614	3,169,518	4.2
Palmetto Electric	8,768,002	1,798,248	2.4
May River Forest LLC	4,502,402	1,102,381	1.4
Columbia Properties Hilton Head	3,939,414	817,776	1.1
Hargray Telephone Company	4,096,782	817,238	1.1
SCG Hilton Head Property	3,692,358	740,978	1.0
Sea Pines Resort LLC	3,165,271	631,732	0.8
Greenwood Development Corp	3,160,148	631,718	0.8
United Telephone Company	<u>1,744,630</u>	<u>407,794</u>	<u>0.5</u>
Total	\$66,119,101	\$13,668,210	17.9%

Source: County Treasurer and County Comprehensive Annual Financial Report, 2008.

## Vehicle License Fees

The County has imposed a vehicle license fee since January 1, 1994. Collections of the fee for the past five fiscal years and an estimate for the current fiscal year are as follows:

<u>Fiscal Year</u>	<u>Collections</u>
2004	\$1,040,711
2005	1,110,061
2006	1,179,920
2007	1,213,910
2008	1,320,930
2009*	1,350,000

\*Estimate.

Source: County.

## County Investment Policy

Pursuant to Section 6-5-10 of the Code of Laws of South Carolina, 1976, as amended, the County Treasurer may invest money subject to his control and jurisdiction in the following types of investments:

- (1) Obligations of the United States and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;
- (4) Certificates of deposit where the certificates are insured by an agency of the federal government or, if not so insured, are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a

market value not less than the amount of the certificates of deposit so secured, including interest;

- (5) Repurchase agreements when collateralized by securities as set forth in Section 6-5-10; and
- (6) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5) above, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

In addition to these investments, the State has established a South Carolina Pooled Investment Fund into which any county treasurer may deposit public moneys in excess of current needs. The State Treasurer may invest the moneys of the fund in the same types of investments provided for in Section 6-5-10 above (as well as those permitted in Sections 11-9-660 and 11-9-661) and then may sell to all political subdivisions of the State participation units in the fund which shall be legal investments for the subdivisions in addition to the investments and deposits authorized in the sections detailed herein.

## FINANCIAL AND TAX INFORMATION

### Five Year Summary of General Fund Operations

The following table sets forth a summary of the County's General Fund operations for the fiscal years ended June 30, 2004, through 2008.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>					
Property Taxes	\$39,902,961	\$47,419,184	\$49,557,808	\$55,872,654	\$60,474,820
Licenses and Permits	2,618,619	3,393,994	4,635,798	4,879,471	3,894,583
Intergovernmental	6,018,623	6,073,748	6,402,451	7,813,256	8,649,634
Charges for Services	9,795,154	12,179,930	13,256,653	11,643,392	10,568,767
Fines and Forfeitures	1,023,973	882,229	872,216	1,150,081	1,029,600
Interest	113,045	64,028	966,561	1,336,688	1,015,196
Miscellaneous	<u>238,122</u>	<u>311,610</u>	<u>418,423</u>	<u>1,561,330</u>	<u>565,823</u>
<b>Total Revenues</b>	<b>\$59,710,497</b>	<b>\$70,324,723</b>	<b>\$76,109,910</b>	<b>\$84,256,872</b>	<b>\$86,198,423</b>
<b>Expenditures</b>					
General Government	\$14,573,990	\$15,616,654	\$17,145,467	\$18,956,722	\$20,963,806
Public Safety	26,905,522	29,301,879	31,551,018	35,583,070	38,617,353
Public Works	7,313,102	7,897,503	8,159,421	15,434,287	15,946,656
Public Health	2,168,726	2,172,343	2,490,990	2,731,723	2,975,284
Public Welfare	709,052	717,165	729,436	867,699	931,321
Culture and Recreation	<u>3,148,082</u>	<u>6,702,500</u>	<u>7,302,362</u>	<u>7,938,119</u>	<u>8,658,731</u>
<b>Total Expenditures</b>	<b>\$54,818,474</b>	<b>\$62,408,044</b>	<b>\$67,378,694</b>	<b>\$81,511,620</b>	<b>\$88,093,151</b>
Excess Revenues Over (Under) Expenditures	<b>\$ 4,892,023</b>	<b>\$ 7,916,679</b>	<b>\$ 8,731,216</b>	<b>2,745,252</b>	<b>(1,894,728)</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	47,265	62,458	1,219,512	455,547	2,251,087
Operating Transfers Out <sup>1</sup>	<u>(3,837,216)</u>	<u>(1,334,387)</u>	<u>(1,378,585)</u>	<u>(1,848,341)</u>	<u>(2,241,888)</u>
<b>Total Other Financing     Sources (Uses)</b>	<b>\$(3,789,951)</b>	<b>\$(1,271,929)</b>	<b>\$ (159,073)</b>	<b>\$(1,392,794)</b>	<b>\$ 9,199</b>
Net Change in Fund Balance Prior Period Adjustment	1,102,072	6,644,750	8,572,143	1,352,458	(1,885,529)
	---	---	---	(77,431)	---
Fund Balances July 1	<u>\$ 4,048,528</u>	<u>\$ 5,150,600</u>	<u>\$11,795,350</u>	<u>\$20,367,493</u>	<u>\$21,642,520</u>
Fund Balance June 30	<u>\$ 5,150,600</u>	<u>\$11,795,350</u>	<u>\$20,367,493</u>	<u>\$21,642,520</u>	<u>\$19,756,991</u>

Source: Audited financial statements provided by the County.

<sup>1</sup> General operating funds that are transferred to special funds thereby restricting their uses.

Note: The County projects a fund balance of \$18,199,750 as of June 30, 2009.

## **Financial Statements**

The financial statements of the County for years ended June 30, 2005, 2006, 2007, and 2008 have been audited by Elliott Davis, LLC. The financial statements of the County for year ended June 30, 2004, have been audited by Robinson Grant & Co., P.A. A portion of the audited financial statements of the County for the year ended June 30, 2008, is attached to this Preliminary Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2008, and prior years are available for inspection at the County offices.

## **Budget Procedure**

The Constitution provides that each county shall prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. Whenever ordinary expenses of a county for any year shall exceed the income, the governing body of the county is required to provide for levying a tax in the ensuing year sufficient, with all other sources of income, to pay the deficiency in the preceding year, together with the estimated expenses for the ensuing year. These requirements generally have been interpreted so as to allow for payment of expenses from funds on hand or transfers, to the extent such funds are available for such purposes.

The Home Rule Act provides that the fiscal year for county governments begins on July 1 of each year and ends on June 30 of the following year. The County Council is required to adopt annually, prior to the beginning of each fiscal year, operating and capital budgets for the operation of county government. The budgets must identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budgets adopted.

In the County, the County Administrator is responsible for submitting prior to June 1, a proposed operating and capital budget for the fiscal year commencing July 1. The Council shall provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources. After County Council legally enacts operating and capital budgets through passage of an ordinance, the County Administrator, or his designee, is authorized to transfer funds among operating accounts or among capital accounts within a department. The County may make supplemental appropriations which shall specify the source of funds for such appropriations. A supplemental appropriation is defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget.

## General Fund Budget for the 2008-2009 Fiscal Year

The following is a summary of the General Fund Budget of the County for the fiscal year ending June 30, 2009.

	<u>FY 2009 Budget</u>
<u>Revenues</u>	
Property Taxes	\$ 76,643,504
Licenses and Permits	4,164,073
Intergovernmental	8,895,480
Charges for Services	11,718,496
Fines and Forfeitures	894,475
Interest	922,746
Miscellaneous	<u>456,600</u>
Total Revenues	\$103,695,374
<u>Expenditures</u>	
General Government	\$ 23,985,642
Public Safety	41,870,795
Public Works	16,960,038
Public Health	5,297,121
Public Welfare	1,014,675
Cultural and Recreation	<u>13,905,100</u>
Total Expenditures	\$103,033,371

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Location and History

The County is located in the southeastern part of the State and is part of the four-county "Lowcountry" area of South Carolina. The County is bordered on the east by the Atlantic Ocean, on the north by Colleton County, and on the west by Hampton and Jasper Counties. It includes more than 60 small islands designated as "sea islands," the largest of which are connected by highway bridges.

The County was formed in 1769, and currently has a land area of 587 square miles. The County is one of the fastest growing in South Carolina, with an estimated 2007 population of 147,316. The County seat is the City of Beaufort (2007 estimated population 11,868). Since the 1600's, agriculture has played an important role in the economy of the Lowcountry. Currently, however, the Lowcountry generally and the County, specifically, although farming and timber are still present, have significantly diversified their economic base.

### Commerce and Development

The County is a center for tourism, retirement and the associated services, and the military in South Carolina. Hilton Head Island, Fripp Island and Hunting Island are all located in the County and are examples of the economic boom in the leisure and resort industries. Interstate Highway I-95, a major north-south artery from Maine to Florida, runs just a few miles from the County and has helped the tourist industry significantly. A four-lane spur through the County connects I-95 with U.S. 278 to Hilton Head Island, also part of the County.



Major residential developments in Southern Beaufort County include Sun City Hilton Head, a 5,000-acre community with more than 4,000 homes and about 8,000 residents within the County. The Beaufort County portion of the community is built out. The community will expand into a neighboring county in order to more than double its current number of homes. Additional developments in the southern part of the County include Spring Island, Callawassie Island, Colleton River Plantation, Belfair and Westbury Park. Sun City Hilton Head, a Del Webb / Pulte Homes senior community, has a significant economic impact. It has created more than 1,000 permanent jobs, will increase the County's tax base by 25 percent over the next five years, and was the spark for the increased commercial construction along the U.S. 278 Corridor, including a Target store, Wal-Mart Superstore, Home Depot and several major supermarkets. In northern Beaufort County, communities continue to develop at Lady's Island, Cat Island, Dataw Island, Habersham, Bray's Island and throughout the City of Beaufort.

CareCore National, LLC constructed a new headquarter facility in the Town of Bluffton in 2007/2008 which created 190 new jobs in 2007 and 125 new jobs in 2008. The total expected for new employment is 350.

The Port of Port Royal, the former break-bulk cargo port of the South Carolina State Ports Authority, is located in the County. The State is currently seeking to sell the 51 acres formerly occupied by the port at the waterfront edge of downtown Port Royal, preferably at a price of \$26 million to \$27 million, to a developer who would transform the property into a mixed-use commercial and residential development.

The U.S. Marine Corps Recruit Depot at Parris Island, the Marine Corps Air Station-Beaufort, and the Beaufort Naval Hospital are all located within the County. These locations have benefited by the Department of Defense closing certain other military bases in the nation. In 2007, there were 6,988 active military and 926 civilians working for the Department of Defense at the Recruit Depot alone.

University of South Carolina – Beaufort (“USCB”), the Lowcountry's regional senior campus of the University of South Carolina, is located in the County. In 2006, USCB's Small Business Development Center, a free consulting service for entrepreneurial start-ups, helped 14 new businesses get started, helped save or create 70 local jobs and provided \$4.76 million in business loans.

### **Agriculture and Forestry**

Only 12 percent of the County's land is used for agriculture. In 2007, the County ranked last in the State in production of hay. Preliminary cash receipts for crop and livestock production in the County in 2007, the latest year for which information is available, amounted to \$7,099,000, including crops at \$5,553,000 and livestock and livestock products at \$1,546,000, according to the Department of Applied Economics & Statistics at Clemson University and the South Carolina Agricultural Statistics Service.

Twenty-nine percent of the County's land is forested, and the County ranks 13th among the State's 46 counties in delivered value of timber. The delivered value of harvested timber sold in 2005, the latest year for which information is available, was \$24,464,553.

### **Population Growth**

The U.S. Department of Commerce, Bureau of the Census, reports that the 2000 census population of the County was 120,937. This represents a 40% increase in population over the 1990 census figure of 86,425.

The following table illustrates the population growth of the County. Population statistics for the State and the United States are included for comparison purposes.

<u>Year</u>	<u>Beaufort County</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1970	51,136	-	2,590,516	-	203,302,031	-
1980	65,364	28%	3,121,820	21%	226,545,805	11%
1990	86,425	32	3,486,703	12	248,709,873	10
2000	120,937	40	4,012,012	15	281,421,906	13
2007*	147,316	22	4,407,709	10	301,621,157	7

\*Estimated

Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

The 2000 Census populations and 2007 population estimates of the incorporated municipalities located in the County are set forth in the table below.

<u>Municipality</u>	<u>2000 Census</u>	<u>2007 Estimate</u>
Town of Hilton Head Island	33,862	33,994
City of Beaufort	12,950	11,868
Town of Port Royal*	3,950*	10,212*
Town of Bluffton	1,275	4,054

\*A portion of Port Royal's growth between the 2000 census and the 2007 estimate is due to annexation.

Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

### Per Capita Personal Income

The County ranked first in the State in per capita personal income in 2006, the last year for which data is available. The per capita personal income in the County, the State and the United States for each of the last five years for which information is available is shown below.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2002	\$33,956	\$25,370	\$30,795
2003	34,832	25,880	31,466
2004	37,474	27,039	33,090
2005	40,005	28,460	34,471
2006	41,724	29,767	36,276

Source: U.S. Department of Commerce, Bureau of Economic Analysis

### Median Family Income

The County had a median family income of \$63,000 for 2006 (the latest estimate available). This income level ranks the County as the second highest in the State. The table below shows the median family income for the County, State and the United States for the last five years:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2002	\$58,800	\$49,200	\$54,400
2003	62,000	52,400	56,500
2004	62,000	52,400	57,500
2005	62,150	52,400	58,000
2006	63,000	52,900	59,600

Source: U.S. Department of Housing and Urban Development

### Median Age and Education Levels

The U.S. Bureau of the Census reports that the median age of the population of the County was 35.8 in 2000, up from 30.5 in 1990. According to the U.S. Bureau of the Census, in 2000 (the last year for which complete statistics are available) the County ranks second in the State with 33.2% of its population 25 years or older holding a bachelor's degree or equivalent.

### Construction Activity

The following table shows the approximate number of building permits issued in the County and the approximate cost of construction represented by those permits in each of the last five complete years for which information is available. New construction has, of course, been affected by general economic conditions in the United States affecting real estate activity.

<u>Year Ended</u> <u>December 31</u>	<u>Number of</u> <u>Units</u>	<u>Residential</u> <u>Construction</u> <u>Costs</u>
2003	2,802	\$ 542,876,697
2004	2,942	613,341,112
2005	4,650	1,000,991,167
2006	3,448	890,986,323
2007	2,224	530,146,319

Source: County Building Inspector

## Retail Sales

Effective June 1, 2007, the State of South Carolina increased the sales tax it imposes on all retail sales from 5% to 6%. In November 2007, the State of South Carolina eliminated the sales tax on unprepared food for state sales tax purposes only. The following table shows the level of gross retail sales over the last five years for which information is available for businesses located in the County:

<u>Year Ended December 31</u>	<u>Total Retail Sales</u>	<u>Increase Over Previous Year</u>
2003	\$3,158,157,797	n/a
2004	3,414,415,525	256,257,728
2005	3,646,847,632	232,432,107
2006	3,908,542,814	261,695,182
2007	3,973,795,733	65,252,919

Source: South Carolina Department of Revenue

## Capital Investment

The following table sets forth the total announced capital investment for new and expanded industry within the County for the last three years for which information is available.

<u>Year</u>	<u>New Investment</u>	<u>New Employment</u>
2006	\$14,000,000	370
2007	17,200,000	215
2008	5,115,000	125

Source: South Carolina Department of Commerce and the Lowcountry Economic Network

## Major Manufacturing Establishments

The ten largest industrial entities located in the County, their products and their approximate number of employees are listed below.

<u>Name</u>	<u>Product</u>	<u>Number of Employees</u>
Resort Services, Inc.	Cleaning chemicals	265
Island Packet	Daily newspaper publisher	100
NUFARM Specialty Products, Inc.	Chemical intermediates, dyes, surfactants	92
Beaufort Gazette	Newspapers: printing and publishing	77
Rea Construction	Asphalt hot mix	65
Athena Corp.	Polymer bathtubs, countertops, showers	54
Kigre, Inc.	Solid state laser components, laser glass	45
Data Publishing Co., Inc.	Yellow pages publishing	34
2 Stroke International	Engines and parts	30
Caribbean Clear International, Ltd.	Water purification systems for pools	30

Source: South Carolina Department of Commerce

## Largest Nonindustrial Employers

The following table shows the ten largest non-industrial employers located within the County and the type of business for each:

<u>Name</u>	<u>Type of Business</u>
Beaufort County School District	Education
Wal-Mart Associates, Inc.	Retail
County of Beaufort	Government
Department of Defense	Military
Beaufort Memorial Hospital	Healthcare
Marine Corps Community Services	Military
Publix Super Markets, Inc.	Retail
Tenet Health System Hilton Head, Inc.	Healthcare
Hargray Communications Group, Inc.	Telecom
Marriott Resorts Hospitality Corp.	Hotel/Tourism

Source: South Carolina Employment Security Commission (May 2008)

## Tourism

In 2007, tourists spent more than \$1 billion in Beaufort County, according to a report by the South Carolina Department of Parks, Recreation and Tourism entitled “The Economic Impact of Travel on South Carolina Counties.” In 2007, tourism was responsible for \$211 million in payroll and 13,200 jobs in the County. The County ranked third in the State on these measures, behind only Horry County (where Myrtle Beach is located) and Charleston County. The table which follows provides information concerning the tourism economy of the County and illustrates growth trends in the County for the last five years.

### Annual Resort Guests/Visitors and Estimated Expenditures<sup>1</sup>

<u>Year</u>	<u>Number of Guests</u>	<u>Annual Expenditures</u>
2002	2,195,530	\$1,490,000,000
2003	2,183,231	1,488,418,000
2004	2,248,389	1,532,839,000
2005	2,302,370	1,569,281,000
2006	2,235,121	1,704,375,000

<sup>1</sup> Figures for Hilton Head Island only.

Source: Greater Beaufort Chamber of Commerce

## Unemployment

The average unemployment rate in the County for each of the last 12 months for which data is available is shown below:

<u>Date</u>	<u>Unemployment Rate</u>
January 2008	5.0%
February 2008	4.4
March 2008	4.0
April 2008	3.9
May 2008	4.3
June 2008	5.1
July 2008	5.7
August 2008	5.8
September 2008	5.3
October 2008	6.0
November 2008	6.3(p)
December 2008	7.0(p)

(p) Preliminary.

Source: U.S. Department of Labor, Bureau of Labor Statistics; South Carolina Employment Security Commission.

The average unemployment rates in the County, the State and the United States for each of the last five years is shown below:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2003	4.7%	6.7%	6.0%
2004	4.9	6.8	5.5
2005	4.9	6.7	5.1
2006	4.7	6.4	4.6
2007	4.4	5.9	4.6

Source: U.S. Department of Labor, Bureau of Labor Statistics

## Labor Force

The labor force of the County has experienced rapid growth in the categories of wholesale and retail trade, services and government. The increases in these areas have more than offset the declines in construction related employment.

The composition of the civilian labor force in the County, based on place-of-work basis, for the last five years for which information is available, is as follows:

**Nonagricultural Wage and Salary Employment  
(By Place of Work)**

<u>Sector</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Manufacturing	1,119	1,155	1,217	1,169	1,250
Non-Manufacturing					
Construction & Mining	7,988	8,761	8,476	8,478	8,870
Transportation and Public Utilities	1,431	1,431	1,418	1,586	1,621
Wholesale and Retail Trade	10,932	11,012	11,304	11,827	12,113
Information	981	995	952	916	1,014
Finance, Insurance, and Real Estate	7,412	7,802	8,469	9,547	10,633
Services (including Agricultural Services)	33,631	34,684	36,615	37,333	38,292
Government	<u>20,524</u>	<u>20,320</u>	<u>20,161</u>	<u>20,196</u>	<u>20,238</u>
<b>TOTAL</b>	<b>84,467</b>	<b>86,599</b>	<b>89,042</b>	<b>91,487</b>	<b>94,480</b>

Source: South Carolina Employment Security Commission, Labor Market and Information Division

The labor force participation rate of residents of the County (regardless of place of employment) for the past five years is as follows:

**Labor Force Estimates  
(By Place of Residence)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007(p)</u>
Civilian Labor Force	56,279	59,135	61,787	63,279	65,083
Employment	53,614	56,214	58,777	60,297	62,198
Unemployment	2,665	2,921	3,010	2,982	2,885

(p) Preliminary.

Workers involved in labor disputes are included among the employed. Total employment also includes agricultural workers, proprietors, self-employed persons, workers in private households, and unpaid family workers.

Source: South Carolina Employment Security Commission, Labor Market Information

**Facilities Located Within or Serving the County**

*Transportation.* Three U.S. Highways run through the County. U.S. 17 runs north-south along the coast, connecting the County with Charleston to the north and Savannah, Georgia to the south. U.S. 21 connects U.S. 17 with the City of Beaufort, several islands in northern Beaufort County, and the furthest east point in the County: Hunting Island State Park. U.S. 278 connects U.S. 17 with southern Beaufort County, including Hilton Head Island. The County is served by approximately 133 motor freight carriers. Rail facilities are provided in the County by CSX Railroad which interfaces with Port Royal Railroad at Yemassee, and Amtrak provides passenger service.

There are two airports located in the County, the Beaufort County Airport, on Lady's Island, and the Hilton Head Island Airport. The Hilton Head Island facility is currently serviced by USAir from

Charlotte and American Eagle from Raleigh/Durham. The terminal at the Hilton Head Island Airport was completed in November 2002. The Beaufort County Airport is maintained for general aviation service only.

*Hospital Facilities.* Beaufort Memorial Hospital (“Beaufort Memorial”) is a non-profit hospital accredited by the Joint Commission on Accreditation of Healthcare Organizations for 197 beds (169 acute, 14 rehab and 14 mental health). It employs 1,200 people, including a medical staff of more than 150 physicians, 100 percent of whom are board-certified. The main hospital is located in the City of Beaufort. Beaufort Memorial’s cancer center in the Town of Port Royal is affiliated with Duke University. Beaufort Memorial’s clinic in the Town of Bluffton includes doctors’ offices, laboratory, x-ray and health education programs. Hilton Head Regional Hospital, within the Town of Hilton Head Island, has 85 staffed beds, including 61 acute care units, 20 intensive care units and 4 post-partum units. A U.S. Naval Hospital is also located within the County which has 49 staffed beds and 5 intensive care unit beds.

*Recreation.* Hunting Island State Park (“Hunting Island”) is located in the County. Hunting Island is South Carolina’s most popular state park, attracting more than a million visitors each year. The 5,000-acre park includes five miles of beach, thousands of acres of marsh, tidal creeks and maritime forest, a saltwater lagoon and ocean inlet. Amenities include a fishing pier and some of the state’s most desirable campsites and cabins, some of which were built by the Civilian Conservation Corps in the 1930s. The park also includes South Carolina’s only publicly accessible historic lighthouse. Dating from the 1870s, the Hunting Island Lighthouse is 170 feet tall.

*K-12 Education.* The School District of Beaufort County (the “School District”) is coextensive with the County. The School District, which was established by State legislation, provides certain services with funds from taxes levied and collected for it by the County. The School District currently operates 16 elementary schools, six middle schools, four senior high schools, one early childhood center, and one career education center. There are also three major private schools located in the County, each offering grades K-12: Beaufort Academy, Hilton Head Preparatory School, and Hilton Head Christian Academy.

*Higher Education.* University of South Carolina – Beaufort (“USCB”), the Lowcountry’s regional senior campus of the University of South Carolina, is located in the County. USCB itself has two campuses in the County: one in the City of Beaufort, and the other in the Town of Bluffton, near Hilton Head Island. USCB offers baccalaureate degrees and provides local access to graduate courses and programs through the USC Extended Graduate Campus. USCB had a spring 2008 headcount enrollment of 1,317 students.

Technical College of the Lowcountry, a public two-year institution, has two campuses in the County: one in the City of Beaufort, the other in the Town of Bluffton. It also has field education offices at the Marine Corps Air Station and Parris Island Marine Recruit Depot. Technical College of the Lowcountry offers more than 70 degree, diploma, or certificate programs, and is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS). It had a spring 2008 headcount enrollment of 1,821 students.

Webster University, a private graduate institution, has three campuses in the County: at the Beaufort Naval Hospital, Marine Corps Air Station, and Parris Island Marine Recruit Depot. Each location offers Masters in Business Administration degrees as well as masters degrees in other subject areas.



## **Financial Institutions**

According to the Federal Deposit Insurance Corporation, as of June 30, 2008, there were 65 branches of 20 commercial banks in the County, with total deposits of \$2,295,000,000 as well as 13 branches of 5 savings institutions with total deposits of \$441,000,000. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices in the County.

## **TAX EXEMPTION AND OTHER TAX MATTERS**

### **Opinion of Bond Counsel**

Certain legal matters with regard to the issuance of the Notes are subject to the approval of McNair Law Firm, P.A. Columbia, South Carolina, Bond Counsel, whose approving opinion will be available at the time of the delivery of the Notes. In the opinion of Bond Counsel, based upon existing statutory rulings and court decisions, and subject to the qualifications set for the under "Internal Revenue Code of 1986" below, the interest on the Notes is excludable from gross income for federal income tax purposes. The proposed form of Bond Counsel's opinion appears as Appendix B to this Official Statement.

### **Internal Revenue Code of 1986**

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions that relate to tax-exempt obligations, such as the Notes, including, among other things, permitted uses and investment of the proceeds of the Notes and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury. Noncompliance with these requirements may result in interest on the Notes becoming subject to federal income taxation retroactive to the date of issuance of the Notes. The County has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Notes from gross income for federal tax purposes. Failure of the County to comply with the covenant could cause the interest on the Notes to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income if the amount of such alternative minimum tax is greater than the amount of such taxpayer's regular income tax. Interest on the Notes is not an item of tax preference for purposes of the individual and corporate alternative minimum tax; however, such interest will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of computing the alternative minimum tax imposed on corporations.

Purchasers of the Notes should consult their tax advisors with respect to collateral tax consequences of ownership of the Notes, such as the calculation of alternative minimum tax, environmental tax or foreign branch profits tax liability, the tax on passive income of S corporations, the inclusion of Social Security or other retirement payments in taxable income, or the portion of interest expense of a financial institution which is allocable to tax-exempt interest.

Bond Counsel has not undertaken to determine (or inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the date of issuance of the Notes may affect the tax exemption of interest on the Notes. In rendering its opinion, Bond Counsel will rely upon a certificate of the County with respect to certain material facts solely within their respective knowledge relating to the application of the proceeds of the Notes.

### **South Carolina Taxation**

In the opinion of Bond Counsel, the Notes and the interest payments thereon are exempt from all State taxation except estate or other transfer taxes. Section 12-11-20 of the South Carolina Code of Laws of 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed at the rate of 4-1/2% of the entire net income of such bank. Regulations of the South Carolina Tax Commission require that the term "entire net income" includes income derived from any source whatsoever including interest on obligations of any state and any political subdivision thereof. Interest on the Notes will be included in such computation.

## **LEGAL MATTERS**

### **Opinions**

The issuance of the Notes is subject to the favorable opinion of McNair Law Firm, P.A., Bond Counsel, as to the validity of the issuance of the Notes under the Constitution and laws of the State of South Carolina.

McNair Law Firm, P.A. has assisted the County by compiling certain information supplied to them by the County and others and included in this Official Statement, but McNair Law Firm, P.A. has not made an independent investigation or verification of the accuracy, completeness or fairness of such information. The opinion of McNair Law Firm, P.A. will be limited solely to the legality and enforceability of the Notes, and no opinion will be given with respect to this Official Statement.

### **Litigation**

There is no controversy or litigation of any nature now pending or, to the knowledge of the County officials, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes or the levy and collection of taxes to pay the Notes; or questioning the proceedings or authority pursuant to which the Notes are issued and taxes levied; or questioning or relating to the validity of the Notes, or contesting the corporate existence of the County or the titles of its present officers to their respective offices.

The absence of such litigation will be confirmed at the time of delivery of the Notes.

### **United States Bankruptcy Code**

This undertaking of the County should be considered with reference to Chapter 9 of the Bankruptcy Code, 11 U.S.C. 901, et seq., as amended, and other laws affecting creditors' rights and municipalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a State that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other

proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") (collectively, the "Rating Services") have assigned their municipal bond ratings of "MIG 1" and "SP-1+," respectively, to the Notes. Such ratings reflect only the views of the Rating Services and an explanation of the significance of such ratings may be obtained from the Rating Services. The County has furnished to the Rating Services certain information and materials respecting the County and the Notes. Generally, the Rating Services base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Services, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.

### **UNDERWRITING**

[TO BE COMPLETED AFTER THE SALE]

The Notes have been purchased at a competitive sale from the County for resale by \_\_\_\_\_ (the "Purchaser"). The Purchaser has agreed, subject to certain conditions, to purchase the Notes at par plus a bid premium of \$ \_\_\_\_\_. The initial public offering yield of the Notes are as shown on the front cover page of this Official Statement and may be changed from time to time by the Purchaser. The Purchaser may also allow a concession from the public offering prices to certain dealers. If all of the Notes are sold at the public offering yields or prices as set forth on the inside front cover page of this Official Statement, the Purchaser anticipates total selling compensation of \$ \_\_\_\_\_ for the Notes. The Purchaser has received no fee from the County for underwriting the Notes.

### **CERTIFICATE CONCERNING THE OFFICIAL STATEMENT**

Concurrently with the delivery of the Notes, the Administrator of the County will deliver to the purchaser of the Notes a certificate which will state that, to the best of his knowledge, this Official Statement did not as of its date and as of the sale date, and the final Official Statement does not, as of the date of delivery of the Notes, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement or the final Official

Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, providing such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Notes.

### **FINANCIAL ADVISOR**

Ross, Sinclair & Associates, LLC has acted as Financial Advisor to the County in connection with the issuance of the Notes. In this capacity, Ross, Sinclair & Associates, LLC provided technical assistance in the preparation of the offering documents and assisted the County in preparing for this financing.

### **CONTINUING DISCLOSURE UNDERTAKING**

The County has covenanted, pursuant to Section 11-1-85, South Carolina Code of Laws 1976, as amended, to file with a central repository for availability in the secondary bond market, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of tax revenue or the County's tax base.

In order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the County has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Notes with Digital Assurance Certification, L.L.C. ("DAC"), under which the County has designated DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached hereto as Exhibit C.

The County previously has executed its Continuing Disclosure Certificates or Disclosure Dissemination Agent Agreements in connection with the issuance of its general obligation debt as set forth in the table entitled "General Obligation Debt by Issue" contained herein. In the past, the County has not timely filed annual reports; however, as of the date of this Official Statement, the County is current with respect to the requirements of its continuing disclosure obligations.

### **MISCELLANEOUS**

Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief summaries of such provisions thereof and do not purport to describe with particularity all provisions thereof.

Please address further inquiries, or requests for additional copies of this Preliminary Official Statement to Gary Kubic, County Administrator, Beaufort County, South Carolina, 100 Ribaut Road, Room 156, Beaufort, South Carolina 29901-1228, Telephone (843) 470-2592; the County's Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P.A., 1301 Gervais Street, 17th Floor, Columbia, South Carolina 29201, Telephone (803) 799-9800, e-mail: [fheizer@mcnair.net](mailto:fheizer@mcnair.net); or the County's Financial advisor, Brian G. Nurick, Financial Advisor, Ross, Sinclair & Associates, LLC, 1219 Assembly Street, Columbia, South Carolina 29201, telephone (800) 255-0795, e-mail: [bnurick@rsamuni.com](mailto:bnurick@rsamuni.com).

The delivery of this Preliminary Official Statement and its use in connection with the sale of the Notes has been duly authorized by officials of the County in their capacity.

/s/ Gary Kubic  
County Administrator, Beaufort County, South Carolina

**APPENDIX A**

**FINANCIAL STATEMENTS FOR FISCAL  
YEAR ENDED JUNE 30, 2008**

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Beaufort County Council  
Beaufort County  
Beaufort, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Beaufort County, South Carolina (the County) as of and for the year ended June 30, 2008 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Beaufort County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2009 on our consideration of Beaufort County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government auditing standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and required supplementary information, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, general, debt service, and capital project fund budgetary comparison information, Clerk of Court and Magistrates fees and fines schedule, and statistical tables as listed in the Table of Contents are presented for the purpose 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 U.S. 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 Beaufort County, South Carolina. The combining and individual nonmajor fund financial statements, general fund, debt service, and capital project fund budgetary comparison information, Clerk of Court and Magistrate fees and fines schedule, and accompanying 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 presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Elliott Davis, LLC*

Columbia, South Carolina  
January 23, 2009



BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

As management of Beaufort County, South Carolina (the County), we offer the readers of the County's financial statements this narrative overview and analysis of the financial activities of Beaufort County, South Carolina for the fiscal year ended June 30, 2008. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 5 of this report.

**FINANCIAL HIGHLIGHTS**

- The assets of Beaufort County exceeded its liabilities at June 30, 2008 by \$186,562,593 (net assets). Of this amount \$45,709,829 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$50,508,667 during the fiscal year ended June 30, 2008 with a \$51,846,774 increase resulting from governmental activities and a \$1,338,107 decrease resulting from business type activities.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$155,615,408, an increase of \$46,983,609 in comparison with the prior year. Approximately 33 percent, \$51,782,717, is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, the County's unreserved fund balance for the general fund was \$18,929,748, or approximately 21 percent of the general fund expenditures and transfers.
- Beaufort County's net capital assets increased by \$43,073,897 during the current fiscal year. The increase in governmental activities net capital assets of \$43,785,718 was mostly the result of several purchases of property through the Real Property Purchase Program and the construction of the Bluffton Parkway and of several other road projects throughout the County with the County's Road Improvement Program.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. In particular, these statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies.

The *statement of net assets* presents information on all of the County's assets less its liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, public health, public welfare, and cultural and recreation. The business-type activities include the garage,

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

stormwater utility, the Lady's Island Airport, and the Hilton Head Island Airport. The business-type activities function for all practical purposes as departments of the County, and therefore have been included as integral parts of the primary government.

The government-wide financial statements can be found on pages 27 through 29 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Beaufort County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** – Governmental funds are used to account for essentially the same functions as governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, County wide general obligation bonds fund, sales tax projects fund, real property program fund, and the Bluffton Parkway project fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic fund financial statements can be found on pages 30 through 36 of this report.

**Proprietary funds** – The County maintains four different types of proprietary funds, all of which are *enterprise funds*. Enterprise funds are used to report the same functions as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its garage, stormwater utility, Lady's Island Airport, and Hilton Head Island Airport operations. These funds report the services provided by the County for which the County charges a user fee or charge intended to recover all or a significant portion of their costs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the garage, stormwater utility, Lady's Island Airport, and the Hilton Head Island Airport, all of which are considered to be major funds of the County.

The basic proprietary fund financial statements can be found on pages 37 through 40 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The statement of fiduciary net assets can be found on page 41 of this report.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and the fund financial statements. The notes are presented on pages 42 through 66 of the report.

**Other supplemental information** – In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information that further supports the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented within this section of this report and can be found on pages 67 through 129.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Beaufort County, assets exceeded liabilities by \$186,562,593 as of June 30, 2008.

Of this amount, \$92,246,900 (approximately 49 percent) reflects the County's investment in capital assets (land, buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to repay the debt. An additional portion of the County's net assets, \$48,605,864 (approximately 26 percent), represents resources that are restricted to the repayment of the County's bonded indebtedness. The remaining balance of unrestricted net assets, \$45,709,829 (approximately 25 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Beaufort County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Beaufort County's Net Assets  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 170,545,486	\$ 124,774,702	\$ 3,001,168	\$ 2,841,689	\$ 173,546,654	\$ 127,616,391
Capital Assets	<u>258,415,419</u>	<u>214,629,701</u>	<u>23,334,636</u>	<u>24,046,457</u>	<u>281,750,055</u>	<u>238,676,158</u>
Total Assets	<u>\$ 428,960,905</u>	<u>\$ 339,404,403</u>	<u>\$ 26,335,804</u>	<u>\$ 26,888,146</u>	<u>\$ 455,296,709</u>	<u>\$ 366,292,549</u>
Long-Term Liabilities	\$ 240,014,260	\$ 200,391,194	\$ 1,940,921	\$ 195,847	\$ 241,955,181	\$ 200,587,041
Other Liabilities	<u>24,174,156</u>	<u>26,087,494</u>	<u>2,604,779</u>	<u>3,564,088</u>	<u>26,778,935</u>	<u>29,651,582</u>
Total Liabilities	<u>\$ 264,188,416</u>	<u>\$ 226,478,688</u>	<u>\$ 4,545,700</u>	<u>\$ 3,759,935</u>	<u>\$ 268,734,116</u>	<u>\$ 230,238,623</u>
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	\$ 70,675,038	\$ 52,776,852	\$ 21,571,862	\$ 24,046,457	\$ 92,246,900	\$ 76,823,309
Restricted for Debt Service	48,605,864	18,695,106	-	-	48,605,864	18,695,106
Unrestricted (Deficit)	<u>45,491,587</u>	<u>41,453,757</u>	<u>218,242</u>	<u>(918,246)</u>	<u>45,709,829</u>	<u>40,535,511</u>
	<u>\$ 164,772,489</u>	<u>\$ 112,925,715</u>	<u>\$ 21,790,104</u>	<u>\$ 23,128,211</u>	<u>\$ 186,562,593</u>	<u>\$ 136,053,926</u>

The County's total net assets increased by \$50,508,667 during the 2008 fiscal year. Key elements of this increase are as follows:

- There was an increase in the County's governmental current and other assets of \$45.7 million, which increased mostly because of the \$19.3 million increase in cash within the County's County wide general obligation bonds fund as of June 30, 2008 compared to June 30, 2007. This increase resulted from the cash realized but not spent as of June 30, 2008 from the County's \$17.5 million refunding bond issuance. Also, the County's sales tax projects fund's cash increased by approximately \$16.3 million and other current assets increased by \$3.1 million over the previous fiscal year due to the 1% referendum local sales tax monies realized for the full fiscal year. The 1% referendum local sales tax collections began in the last quarter of the 2007 fiscal year. Additionally, there was a \$5.1 million increase in the New River Tax Increment Financing's (TIF) debt service fund equity in pooled cash and investments. The \$5.1 million increase was the result of the County's TIF reconciliation and an increase of \$2 million in tax revenues from the 2007 fiscal year to the 2008 fiscal year.
- The County's governmental net capital assets increased by \$43.8 million. This increase occurred mostly from the County's \$21.6 million in purchases of land and easements, \$19.7 million of investments in infrastructure, and \$4.0 million in upgraded radios for improved communications abilities in the event of emergencies. See the capital assets and debt administration section below for more detail.
- The \$17.5 million bond issuance and a \$25.5 million bond issuance were also the main cause of the increases within the County's governmental activities restricted for debt service net assets and long-term liabilities. The increases in debt service net assets and long-term liabilities were \$39.9 million and \$39.7 million, respectively.
- For the County's business-type activities, there was an increase of approximately \$.7 million in liabilities. This increase mostly related to the \$1.8 million note the County's general fund issued to the Hilton Head Island Airport for the construction of hangers at the airport, net of the Hilton Head Island Airport's net \$.4 million pay-down of its current advances from the County's general fund, the Lady's Island Airport's net \$.2 million pay-down of its current advances from the County's general fund, and a \$.1 million decrease in Hilton Head Island Airport's accounts payable from June 30, 2007 to June 30, 2008.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Beaufort County's Changes in Net Assets  
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 31,413,093	\$ 32,302,521	\$ 10,385,146	\$ 8,887,802	\$ 41,798,239	\$ 41,190,323
Operating Grants and Contributions	8,312,520	6,980,330	244,468	219,079	8,556,988	7,199,409
Capital Grants and Contributions	33,285,927	8,567,228	1,004,624	1,334,933	34,290,551	9,902,161
<b>General Revenues:</b>						
Property Taxes	81,399,195	72,584,375	-	-	81,399,195	72,584,375
Grants and Contributions	9,621,104	7,719,639	-	-	9,621,104	7,719,639
<b>Unrestricted Investment</b>						
Earnings	4,701,846	4,179,902	86,760	174,319	4,788,606	4,354,221
Transfers In / (Out)	1,863,867	-	(1,863,867)	-	-	-
Miscellaneous	<u>9,342,263</u>	<u>2,838,808</u>	<u>270</u>	<u>4,320</u>	<u>9,342,533</u>	<u>2,843,128</u>
<b>Total Revenues</b>	<u><b>179,939,815</b></u>	<u><b>135,172,803</b></u>	<u><b>9,857,401</b></u>	<u><b>10,620,453</b></u>	<u><b>189,797,216</b></u>	<u><b>145,793,256</b></u>
<b>Program Expenses</b>						
<b>Governmental Activities:</b>						
General Government	27,566,886	24,863,032	-	-	27,566,886	24,863,032
Public Safety	45,505,447	40,322,590	-	-	45,505,447	40,322,590
Public Works	21,017,930	19,507,135	-	-	21,017,930	19,507,135
Public Health	9,545,159	8,434,863	-	-	9,545,159	8,434,863
Public Welfare	2,082,811	1,460,053	-	-	2,082,811	1,460,053
Cultural and Recreation	11,682,973	10,527,430	-	-	11,682,973	10,527,430
Interest	10,691,835	9,238,679	-	-	10,691,835	9,238,679
<b>Business-Type Activities:</b>						
Garage	-	-	4,778,275	4,186,346	4,778,275	4,186,346
Stormwater Utility	-	-	2,896,205	2,528,367	2,896,205	2,528,367
Lady's Island Airport	-	-	845,649	673,942	845,649	673,942
Hilton Head Airport	-	-	<u>2,675,379</u>	<u>2,107,556</u>	<u>2,675,379</u>	<u>2,107,556</u>
<b>Total Expenses</b>	<u><b>128,093,041</b></u>	<u><b>114,353,782</b></u>	<u><b>11,195,508</b></u>	<u><b>9,496,211</b></u>	<u><b>139,288,549</b></u>	<u><b>123,849,993</b></u>
<b>Excess Revenues over Expenses</b>	<b>51,846,774</b>	<b>20,819,021</b>	<b>(1,338,107)</b>	<b>1,124,242</b>	<b>50,508,667</b>	<b>21,943,263</b>
<b>Net Assets, Beginning</b>	<u><b>112,925,715</b></u>	<u><b>92,106,694</b></u>	<u><b>23,128,211</b></u>	<u><b>22,003,969</b></u>	<u><b>136,053,926</b></u>	<u><b>114,110,663</b></u>
<b>Net Assets, Ending</b>	<u><b>\$ 164,772,489</b></u>	<u><b>\$ 112,925,715</b></u>	<u><b>\$ 21,790,104</b></u>	<u><b>\$ 23,128,211</b></u>	<u><b>\$ 186,562,593</b></u>	<u><b>\$ 136,053,926</b></u>

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

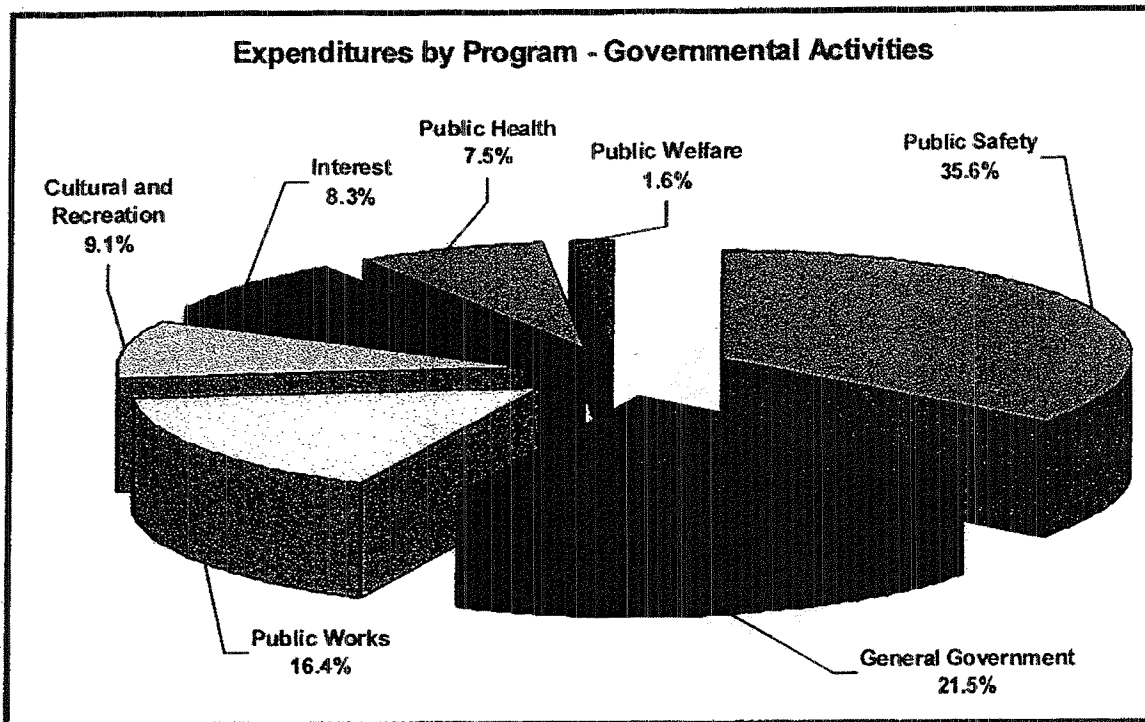
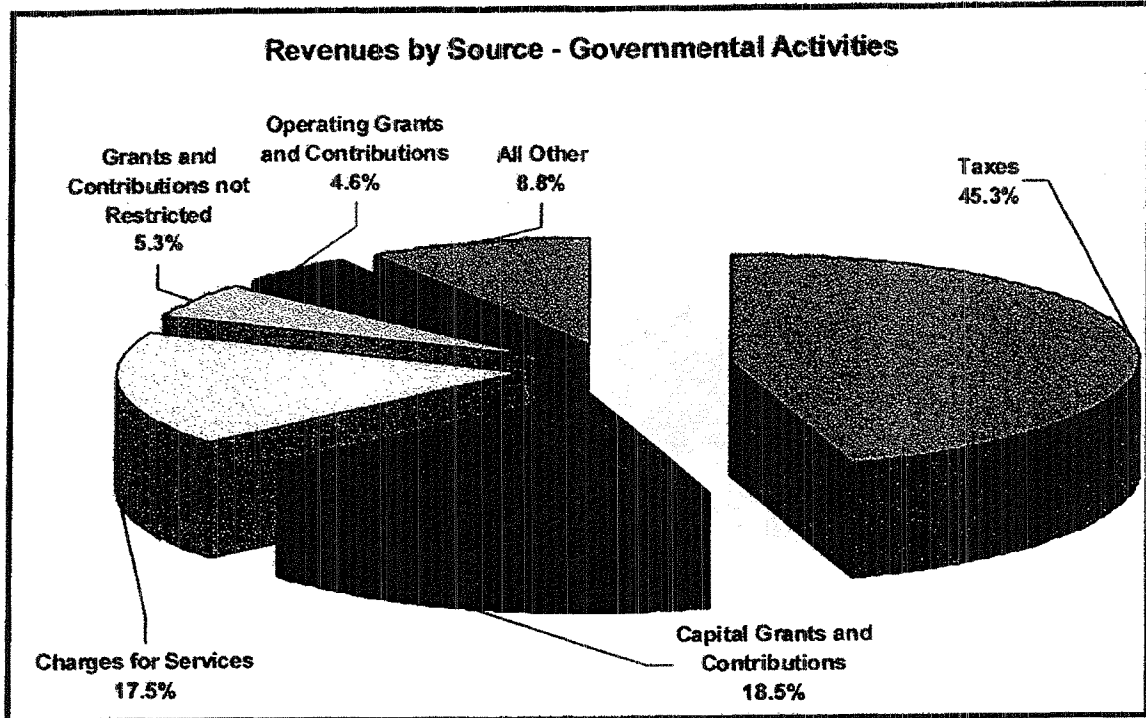
Governmental activities increased the County's net assets by \$51.8 million, thereby accounting for 103 percent of the total growth in the net assets of the County (net of the decrease in the County's business-type activities net assets). Key elements of this net increase are as follows:

- The County's governmental capital grants and contributions revenues increased by \$24.7 million compared to the 2007 fiscal year, which was mostly due to the \$20.9 million increase in the County's sales tax projects fund revenues. As stated above the sales tax projects fund relates to the 1% referendum local sales tax collections which were realized for the full 2008 fiscal year, as opposed to part of the 2007 fiscal year (the first year of collections).
- In the 2008 fiscal year property tax revenues increased by approximately \$8.8 million (or 12.1%) over the 2007 fiscal year. The 12.1% increase of property tax revenues in the 2008 fiscal year over the 2007 fiscal year is compared to a \$3.9 million or 5.6% increase in property tax revenues in the 2007 fiscal year over the 2006 fiscal year and compared to a \$3.0 million or 4.6% increase in property tax revenues in the 2006 fiscal year over the 2005 fiscal year. Increases in property taxes were due to increased millage rates, increasing property values, increasing development, and an increasing population.
- Miscellaneous revenues also increased by \$8.4 million, which was fueled mostly from \$6.5 million in litigation settlement funds realized by the County. \$6.0 of the \$6.5 million in settlement funds related to the settlement between the County and the builder of the County's administrative complex.
- The County's public safety expenditures increased by \$5.2 million during the 2008 fiscal year as compared to the 2007 fiscal year. The increase resulted mostly from a \$1.2 million other post employment benefits (OPEB) liability expenditure increase in fiscal year 2008 compared to fiscal year 2007. Starting in fiscal year 2008, the County began to recognize a total \$3.4 million annual OPEB cost, of which \$1.2 million is allocated to the County's public safety function. The recognized allocated OPEB cost is in compliance with the Governmental Accounting Standards Board (GASB) issued Statement No. 45 entitled *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which took effect in the 2008 fiscal year for the County. Additionally, purchases of non-capitalized assets increased by \$1.1 million in the 2008 fiscal year compared to the 2007 fiscal year and the book value of assets disposed totaled approximately \$2 million in the 2008 fiscal year, compared to no net book value of assets disposed of in the 2007 fiscal year.

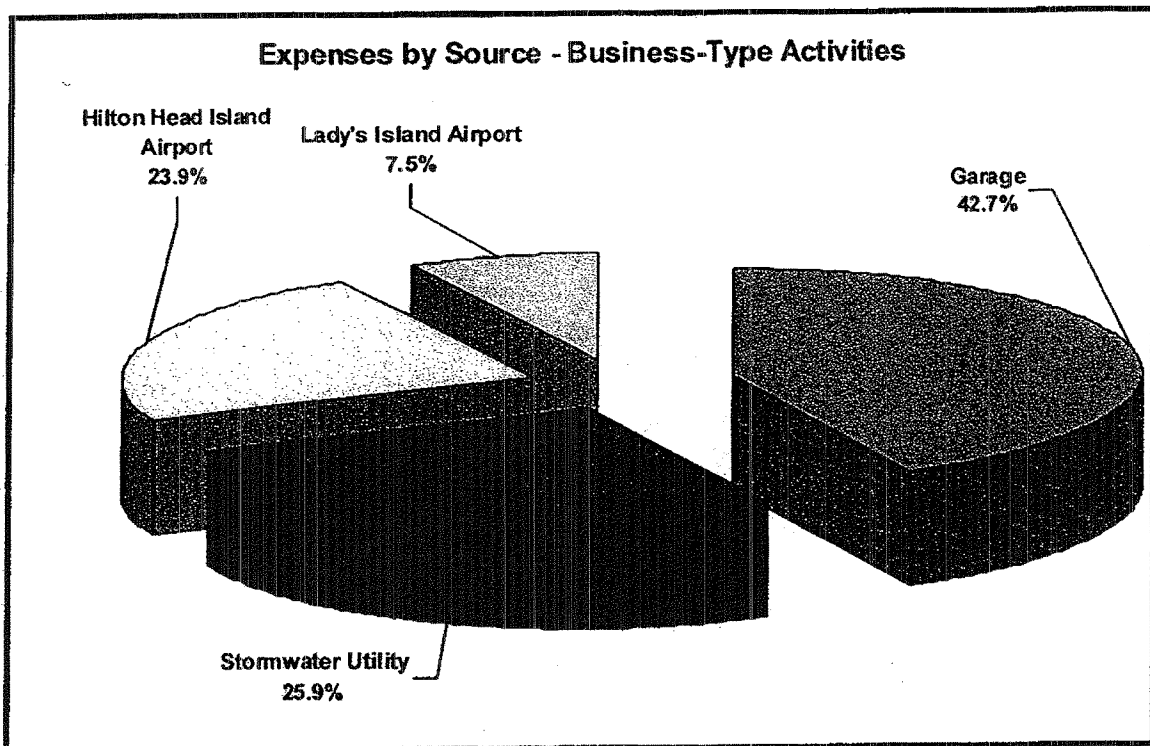
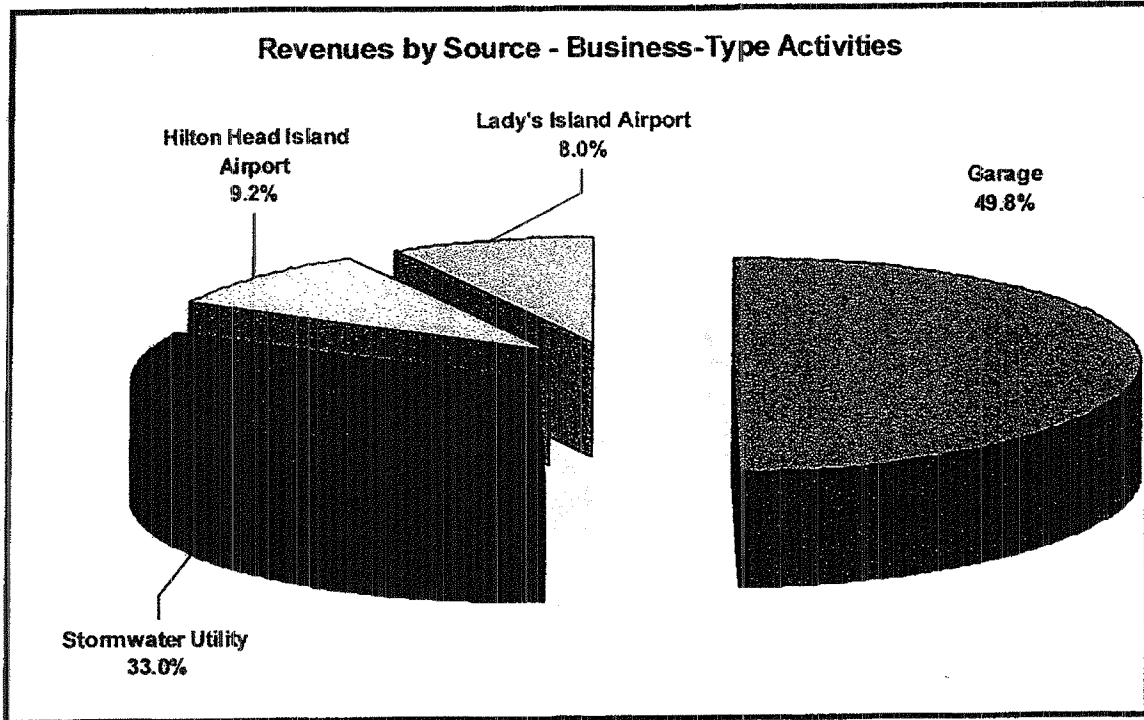
Business-type activities decreased the County's net assets by \$1.3 million, thereby accounting for a negative 3 percent of the total growth in the net assets of the County. Key elements of this net increase are as follows:

- Expenses for the Hilton Head Island Airport increased by approximately \$2.4 million during the 2008 fiscal year compared to the 2007 fiscal year. The cause of the increase resulted mostly from the County issuing a \$1.8 million note in fiscal year 2008 for hangers completed at the County's expense at the Hilton Head Island Airport in fiscal year 2007.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008



BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008





BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, Beaufort County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$155,615,408, an increase of \$46,983,609 in comparison with the prior year. Approximately one third of this total amount (\$51,782,717) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to 1) to liquidate contracts and purchase orders (\$22,899,299), 2) to fund planned capital projects (\$32,327,528), and 3) to pay debt service (\$48,605,864).

**General Fund** – The general fund is the main operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$18,929,748, while the total fund balance was \$19,756,991. As a measure of the general fund's liquidity, a comparison is made of both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 21% of total general fund expenditures and transfers, while total fund balance represents approximately 22% of total general fund expenditures.

**County Wide General Obligation Bonds Fund** – At the end of the current fiscal year, the total fund balance of the county wide general obligation bonds fund was \$21,807,616, all of which was reserved for debt service. The county wide general obligation bonds fund recognized revenues of \$11,527,395, total expenditures of \$12,416,747, and \$21,605,128 in other financing sources, for a net change in fund balance of \$20,715,776.

**Sales Tax Projects Fund** – At the end of the current fiscal year, the total fund balance of the sales tax projects fund was \$22,899,230, of which \$20,771,536 was reserved for encumbrances and \$2,127,694 was reserved for capital projects. The sales tax projects fund recognized revenues of \$25,930,718 and total expenditures of \$6,846,156, for a net change in fund balance of \$19,084,562.

**Real Property Program Fund** – At the end of the current fiscal year, the total fund balance of the real property program fund was \$3,130,185, all of which was reserved for capital projects. The real property program fund recognized revenues of \$5,498,156, total expenditures of \$20,908,819, and \$20,000,000 in other financing sources, for a net change in fund balance of \$4,589,337.

**Bluffton Parkway Project Fund** – At the end of the current fiscal year, the total fund balance of the Bluffton Parkway project fund was \$3,630,417, of which \$1,283,116 was reserved for encumbrances and \$2,347,301 was reserved for capital projects. The Bluffton Parkway project fund recognized revenues of \$134,620, total expenditures of \$10,597,211, and \$5,500,000 in other financing sources, for a net change in fund balance of (\$4,962,591).

Details of the County's governmental funds are shown in the government-wide financial statements. Further details of the County's general fund are shown on Schedule "A" and further details of the County's nonmajor governmental funds are shown on Schedules "B", "C", "D" and "E".

**Proprietary funds** – The focus of the County's proprietary funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County proprietary funds' financing requirements. As restrictions, commitments, and other limitations on net assets significantly affect the availability of fund resources for future use, unreserved net assets may serve as a useful measure of a government's proprietary net resources available for spending at the end of the fiscal year.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

As of the end of the current fiscal year, the County's proprietary funds reported combined ending net assets of \$21,790,104 an decrease of \$1,338,107 in comparison with the prior year. The decrease was mostly the result of the transfer of \$1.8 million from the Hilton Head Island Airport to the County's general fund, which corresponded to hangers the County built for the airport in the fiscal years 2007 and prior. In fiscal year 2008, the County reclassified the hangers from a contribution to a liability and issued a \$1.8 million note to the Hilton Head Island Airport.

**Garage** – At the end of the current fiscal year, the net assets of the garage fund was \$183,300, of which \$231,178 was invested in capital assets, net of related debt, leaving a deficit balance of \$47,878 in unrestricted net assets. The garage fund recognized operating revenues of \$4,913,862, total operating expenses of \$4,778,275, and \$270 in net non-operating revenues, for a change in net assets of \$135,857.

**Stormwater Utility** – At the end of the current fiscal year, the net assets of the stormwater utility fund was \$3,076,393, of which \$1,432,554 was invested in capital assets, net of related debt, leaving a balance of \$1,643,839 in unrestricted net assets. The stormwater utility fund recognized operating revenues of \$3,233,196, total operating expenses of \$2,896,205, and \$19,681 in net non-operating revenues, for a change in net assets of \$356,672.

**Lady's Island Airport** – At the end of the current fiscal year, the net assets of the Lady's Island Airport fund was \$3,091,388, of which \$3,399,380 was invested in capital assets, net of related debt, leaving a deficit balance of \$307,992 in unrestricted net assets. The Lady's Island Airport recognized operating revenues of \$729,620, total operating expenses of \$781,425, and \$6,304 in net non-operating expenses, for a change in net assets of (\$58,109).

**Hilton Head Island Airport** – At the end of the current fiscal year, the net assets of the Hilton Head Island Airport fund was \$15,439,023, of which \$16,508,750 was invested in capital assets, net of related debt, leaving a deficit balance of \$1,069,727 in unrestricted net assets. The Hilton Head Island Airport recognized operating revenues of \$1,752,936, total operating expenses of \$2,204,325, and \$1,321,138 in net non-operating expenses, for a change in net assets of (\$1,772,527).

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget to Final Budget Comparison for the Fiscal Year Ended June 30, 2008

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	Variance with Original Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 61,828,000	\$ 61,828,000	\$ -
Licenses and Permits	5,461,603	5,461,603	-
Intergovernmental	7,894,349	7,894,349	-
Charges for Services	11,649,817	11,649,817	-
Fines and Forfeitures	864,440	864,440	-
Interest	705,000	705,000	-
Miscellaneous	<u>315,100</u>	<u>315,100</u>	<u>-</u>
<b>Total Revenues</b>	<b>88,718,309</b>	<b>88,718,309</b>	<b>-</b>
<b>Expenditures:</b>			
General Government	23,054,464	21,512,717	1,541,747
Public Safety	39,010,991	39,941,525	(930,534)
Public Works	16,727,486	17,557,837	(830,351)
Public Health	2,665,656	3,067,186	(401,530)
Public Welfare	471,585	986,085	(514,500)
Culture and Recreation	<u>8,693,301</u>	<u>8,828,337</u>	<u>(135,036)</u>
<b>Total Expenditures</b>	<b>90,623,483</b>	<b>91,893,687</b>	<b>(1,270,204)</b>
<b>Excess of Revenues Over (Under)</b>			
Expenditures	(1,905,174)	(3,175,378)	(1,270,204)
<b>Other Financing Sources (Uses)</b>			
Transfers In	4,957,500	5,812,500	855,000
Transfers Out	<u>(3,060,572)</u>	<u>(3,060,572)</u>	<u>-</u>
<b>Total Other Financing</b>	<b>1,896,928</b>	<b>2,751,928</b>	<b>855,000</b>
<b>Sources (Uses)</b>	<b>1,896,928</b>	<b>2,751,928</b>	<b>855,000</b>
<b>Net Change in Fund Balance</b>	<b>(8,246)</b>	<b>(423,450)</b>	<b>(415,204)</b>
<b>Fund Balance at the</b>			
<b>Beginning of the Year</b>	<b><u>21,642,520</u></b>	<b><u>21,642,520</u></b>	<b><u>-</u></b>
<b>Fund Balance at the</b>			
<b>End of the Year</b>	<b><u>\$ 21,634,274</u></b>	<b><u>\$ 21,219,070</u></b>	<b><u>\$ (415,204)</u></b>

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The general fund original budget's net assets varied from its final budget's net assets by (\$415,204). Key elements of this net budget increase are as follows:

- The County's general government original expenditures budget was revised downward by approximately \$1.5 million during the 2008 fiscal year. In this, there was a \$1.6 million decrease in the County's general contingency budget and a \$.7 million decrease in the County's various agency subsidies from their original budgeted amounts. These decreases were actually allocations out of the general government's expenditures budget to other general fund expenditure types. See the other key elements below for more detail. The decreases in the County's general government budget were offset mostly by increases of approximately \$.2 million in purchased professional services within the County planning and comprehensive plan's budget, approximately \$.2 million in purchased services budget increases within the County business license office relating to professional services purchases for the business license audit, and approximately \$.2 million in direct subsidies budget increases for the County's housing coordinator.
- The public safety expenditures budget was revised upward by \$.9 million. This mostly came from \$1.2 million in capital expenditure additions to the County's public safety budget. These extra expenditures included approximately \$.9 million in capital expenditures on vehicles for the Sheriff's Department. The \$1.2 million increase in capital expenditures was mostly offset by budget adjustments that decreased the Sheriff's Office personnel budget. Some of the \$1.2 million in public safety expenditure budget increases were allocations from the County's general government expenditures general contingency. See above for more detail.
- There also was an increased \$.8 million budget revision to the County's public works expenditures. This included an additional \$.5 million in budget increases for the County's facilities maintenance department and public works department for capital asset expenditures. Additionally, there was a \$.2 million original to final budget increase within the public works department's purchased services, most of which was attributable to cleaning services.
- Additionally, there was a net \$.5 million County public welfare expenditure budget increase relating to subsidy budget increases. In this, the County increased the original subsidy budgets of the Lowcountry Regional Transit Authority by \$247,000 and the budgets of Senior Services of Beaufort and Together for Beaufort by \$70,000 each. These public welfare expenditure budget increases came mostly from the \$.7 million general government agency subsidy allocation. See above for more detail.
- The public health expenditure budget was revised upward by approximately \$.4 million mostly due to a \$.2 million increase in the County's mosquito control department's capital asset expenditures budget and a \$.2 million increase in the County's public health subsidies, \$140,000 of which went to an increased subsidy budget for Coastal Empire Mental Health. These public health expenditure budget increases came mostly from the \$.7 million general government agency subsidy allocation. See above for more detail.
- Lastly, the original budget for transfers into the County's general fund was increased by approximately \$.9 million. This was accounting for an additional expected \$855,000 draw down of fund balance by the County's general fund.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Final Budget to Actual Comparison for the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive Negative
<b>Revenues:</b>			
Taxes	\$ 61,828,000	\$ 60,474,820	\$ (1,353,180)
Licenses and Permits	5,461,603	3,894,583	(1,567,020)
Intergovernmental	7,894,349	8,649,634	755,285
Charges for Services	11,649,817	10,568,767	(1,081,050)
Fines and Forfeitures	864,440	1,029,600	165,160
Interest	705,000	1,015,196	310,196
Miscellaneous	<u>315,100</u>	<u>565,823</u>	<u>250,723</u>
Total Revenues	88,718,309	86,198,423	(2,519,886)
<b>Expenditures:</b>			
General Government	21,512,717	20,963,806	548,911
Public Safety	39,941,525	38,617,353	1,324,172
Public Works	17,557,837	15,946,656	1,611,181
Public Health	3,067,186	2,975,284	91,902
Public Welfare	986,085	931,321	54,764
Culture and Recreation	<u>8,828,337</u>	<u>8,658,731</u>	<u>169,606</u>
Total Expenditures	91,893,687	88,093,151	3,800,536
<b>Excess of Revenues Over (Under)</b>			
Expenditures	(3,175,378)	(1,894,728)	1,280,650
<b>Other Financing Sources (Uses)</b>			
Transfers In	5,812,500	2,251,087	(3,561,413)
Transfers Out	<u>(3,060,572)</u>	<u>(2,241,888)</u>	<u>818,684</u>
Total Other Financing Sources (Uses)	2,751,928	9,199	(2,742,729)
Net Change in Fund Balance	(423,450)	(1,885,529)	(1,462,079)
<b>Fund Balance at the</b>			
Beginning of the Year	<u>21,642,520</u>	<u>21,642,520</u>	<u>-</u>
<b>Fund Balance at the</b>			
End of the Year	<u>\$ 21,219,070</u>	<u>\$ 19,756,991</u>	<u>\$ (1,462,079)</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The actual net assets of the County's general fund original budget's net assets varied from its final budget's net assets by (\$415,204). Key elements of this net budget increase are as follows:

- The County's tax revenues were approximately \$1.4 million less than the final budget had projected. The shortfall in tax revenues was primarily caused by the downturn in the housing market and increased home foreclosures, which follows national housing and foreclosure trends.
- The County's licenses and permits revenues were also approximately \$1.6 million less than the final budget had projected due to the fact that the County's building permit revenues were \$.9 million less than budgeted and the County's business license revenues were \$.7 million less than budgeted. These shortfalls in revenues were caused primarily by the declining economy, especially within new housing construction.
- Additionally, actual charges for services revenues were approximately \$1.0 million less than budgeted. This was caused mostly from a \$1.2 million shortfall within the register of deeds' revenues from the original budget. This too was mostly caused from the national downturn in the housing market.
- To react to the decreasing revenues, the County decreased its expenditures by approximately \$3.8 million. These decreases came mostly within a \$1.3 million positive budget to actual variance within public safety expenditures and a \$1.6 million positive budget to actual variance within public works expenditures.
  - The \$1.3 million positive variance within the County's public safety expenditures from the final budget came mostly from personnel expenditures being a combined \$.7 million less within the County's sheriff's office, communications/traffic management department, and emergency services department. Additionally, actual capital expenditures were approximately \$.3 million less than budget within the County's emergency services department.
  - The \$1.6 million positive variance within the County's public works expenditures from the final budget came mostly from \$1.1 million less in purchased solid waste disposal services used by the County's solid waste/recycling department. Also, personnel expenditures were approximately \$.5 million less than budgeted for the County's facilities maintenance, public works, engineering, and solid waste/recycling departments.
- Lastly, transfers in were approximately \$3.6 million less than budgeted. This was due to the fact that the County originally had planned to use the \$5.3 million of the general fund prior year's fund balance. The \$5.3 million prior year fund balance was not used and was offset partially by a \$1.8 million transfer from the County's Hilton Head Island Airport proprietary fund related to the County issuing a \$1.8 million note in fiscal year 2008 for hangars completed at the County's expense at the Hilton Head Island Airport in fiscal year 2007.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Beaufort County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 was \$281,750,055 (net of accumulated depreciation). This investment in capital assets includes land and easements, buildings and improvements, infrastructure, and equipment. The total increase in the County's investment in capital assets for the current fiscal year was 18 percent (in which governmental activities capital assets increased by approximately 21 percent and business-type activities capital assets decreased by approximately 3 percent).

Beaufort County's Capital Assets  
(Net of Depreciation)  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and Easements	\$ 75,884,513	\$ 54,310,250	\$ 13,802,425	\$ 13,802,425	\$ 89,686,938	\$ 68,112,675
Construction in Progress	15,160,362	29,618,525	53,159	63,867	15,213,521	29,682,392
Buildings and Improvements	86,889,036	87,489,329	7,364,694	7,604,784	94,253,730	95,094,113
Infrastructure	65,844,924	33,292,748	-	-	65,844,924	33,292,748
Equipment	<u>14,636,584</u>	<u>9,918,849</u>	<u>2,114,358</u>	<u>2,575,381</u>	<u>16,750,942</u>	<u>12,494,230</u>
Total Capital Assets	<u>\$ 258,415,419</u>	<u>\$ 214,629,701</u>	<u>\$ 23,334,636</u>	<u>\$ 24,046,457</u>	<u>\$ 281,750,055</u>	<u>\$ 238,676,158</u>

Major capital asset events during the current fiscal year included the following:

- The County purchased approximately \$21.6 million in governmental activities land and easements for the County's rural and critical lands program.
- Also, the County made approximately \$19.7 million of investments in infrastructure, which included \$10.4 million in additional improvements to the Bluffton and Buckwalter Parkways.
- In addition, the County purchased \$4.0 million in upgraded radios for improved communications abilities in the event of emergencies, which is included in governmental activities equipment.

Additional information on the County's capital assets can be found in note 4 on pages 49 through 50 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Long-Term Debt -- At the end of the current fiscal year, Beaufort County had \$242,247,865 of total long-term debt outstanding. Of this amount, \$177,515,000 comprises of debt backed by the full faith and credit of the government.

Beaufort County's Outstanding Debt  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 177,515,000	\$ 141,670,000	\$ -	\$ -	\$ 177,515,000	\$ 141,670,000
TIF Revenue Bonds	62,760,000	63,190,000	-	-	62,760,000	63,190,000
Notes Payable	-	-	1,762,774	382,191	1,762,774	382,191
Capital Leases	210,091	240,588	-	-	210,091	240,588
Total Outstanding Debt	<u>\$ 240,485,091</u>	<u>\$ 205,100,588</u>	<u>\$ 1,762,774</u>	<u>\$ 382,191</u>	<u>\$ 242,247,865</u>	<u>\$ 205,482,779</u>

Major outstanding debt events during the current fiscal year included the following:

- In September 2007, the County issued \$25,500,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2027. \$20,000,000 of the proceeds of these bonds was used for the County's rural and critical lands projects and the remaining \$5,500,000 of the proceeds of these bonds was used for the Buckwalter Parkway extension.
- In October 2007, the County issued \$17,530,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2020. The proceeds of these bonds were used for various County projects.
- The County issued a \$1.8 million note from the County's general fund to the Hilton Head Island Airport for the construction of hangers at the airport, which were completed in the 2007 fiscal year.
- Lastly, there was \$8,064,914 in debt service principle paid during the fiscal year.

The County maintains an underlying, uninsured "AA" bond rating from Standard & Poor's Rating Group, an underlying, uninsured "Aa2" bond rating from Moody's Investors Service, and an underlying, uninsured "AA-" bond rating from Fitch for its most recent general obligations bonds. Additionally the County maintains an underlying, uninsured "A-" bond rating from Standard & Poor's Rating Group, and an insured "AA" bond rating from Fitch for its most recent TIF revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation less debt issued by referendum and debt issued and paid by other sources. The current debt limitation for the County is \$88,104,325. Beaufort County was \$44,708,501 under this legal limit at June 30, 2008.

Additional information on the County's long-term debt can be found in note 5 on pages 51 through 56 of this report.



BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

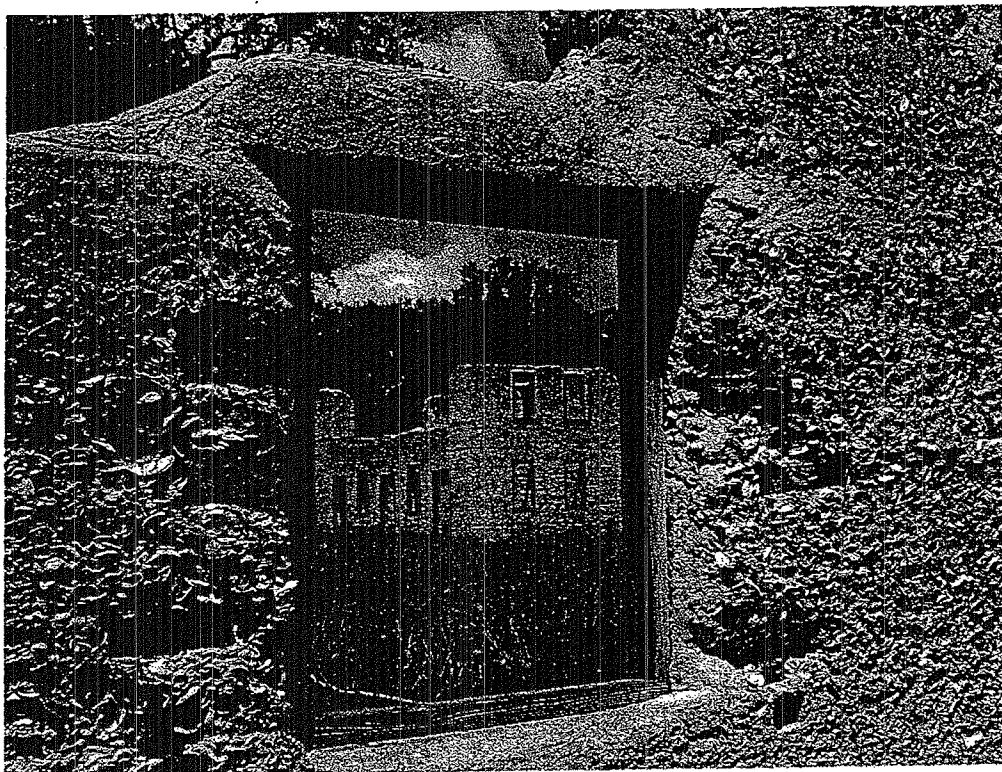
- The unemployment rate for Beaufort County was 3.7 percent at June 30, 2008, which is a decrease from a rate of 4.3 percent a year ago. This compares favorably with the State of South Carolina's average unemployment rate of 6.1 percent at June 30, 2008 and the national average unemployment rate of 5.6 percent.
- The housing market downturn began to affect the County during the 2008 fiscal year, however the downturn in the County was much less severe than in other areas around the country.
- The cost of living in this region still compares favorably to other areas of the country.

All of these factors were considered in preparing Beaufort County's budget for the 2009 fiscal year.

During the 2008 fiscal year, unreserved, undesignated fund balance in the general fund decreased by \$624,026. No fund balance of the general fund has been appropriated for spending in the County's 2009 fiscal year original budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Beaufort County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Post Office Box 1228, Beaufort, SC 29901-1228.



**Window to the Past by Barry E. Wright, M.D.**

*“ The elegant tabby ruins of the Edwards plantation house on Spring Island have a mystical quality. Old-time South Carolina coastal construction with tabby aesthetically intrigues me and although most historic tabby buildings have been destroyed by fire, the timeless beauty of their ruins remains a tribute to the enslaved workers who built them. ”*

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Equity in Pooled Cash and Investments	\$ 141,745,277	\$ 1,393,504	\$ 143,138,781
Receivables, Net	16,589,114	1,231,671	17,820,785
Due from Other Governments	5,636,303	-	5,636,303
Advances to Other Funds	1,750,033	-	1,750,033
Inventories	-	304,267	304,267
Prepaid Expenditures	91,717	71,726	163,443
	<u>165,812,444</u>	<u>3,001,168</u>	<u>168,813,612</u>
<b>Noncurrent Assets</b>			
Equity in Pooled Investments	3,009,390	-	3,009,390
Advances to Other Funds	1,723,652	-	1,723,652
	<u>4,733,042</u>	<u>-</u>	<u>4,733,042</u>
<b>Capital Assets</b>			
Non-Depreciable	91,044,875	13,855,584	104,900,459
Depreciable	167,370,544	9,479,052	176,849,596
	<u>258,415,419</u>	<u>23,334,636</u>	<u>281,750,055</u>
<b>Total Assets</b>	<u>428,960,905</u>	<u>26,335,804</u>	<u>455,296,709</u>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Accounts Payable	9,456,445	746,544	10,202,989
Accrued Payroll	2,931,028	108,202	3,039,230
Accrued Interest Payable	3,648,037	-	3,648,037
Current Portion of Long Term Debt	6,476,701	39,122	6,515,823
Advances Payable to Other Funds	-	1,710,911	1,710,911
Due to Others	1,656,323	-	1,656,323
Deferred Revenues	5,622	-	5,622
	<u>24,174,156</u>	<u>2,604,779</u>	<u>26,778,935</u>
<b>Long Term Liabilities</b>			
Accrued Compensated Absences	2,763,940	77,411	2,841,351
Net Other Postemployment Benefits Obligation	3,241,930	139,858	3,381,788
Long-Term Obligations	234,008,390	1,723,652	235,732,042
	<u>240,014,260</u>	<u>1,940,921</u>	<u>241,955,181</u>
<b>Total Liabilities</b>	<u>264,188,416</u>	<u>4,545,700</u>	<u>268,734,116</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	70,675,038	21,571,862	92,246,900
Restricted for Debt Service	48,605,864	-	48,605,864
Unrestricted (Deficit)	45,491,587	218,242	45,709,829
<b>Total Net Assets</b>	<u>\$ 164,772,489</u>	<u>\$ 21,790,104</u>	<u>\$ 186,562,593</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 27,566,886	\$ 13,170,035	\$ 827,308	\$ 5,010,000
Public Safety	45,505,447	7,990,064	1,096,323	795,350
Public Works	21,017,930	7,016,889	552,578	27,480,577
Public Health	9,545,159	410,076	4,816,142	-
Public Welfare	2,082,811	16,525	478,095	-
Cultural and Recreation	11,682,973	2,809,504	542,074	-
Interest	10,691,835	-	-	-
<b>Total Governmental Activities</b>	<b>128,093,041</b>	<b>31,413,093</b>	<b>8,312,520</b>	<b>33,285,927</b>
<b>Business-Type Activities</b>				
Garage	4,778,275	4,913,862	-	-
Stormwater Utility	2,896,205	3,233,196	-	-
Lady's Island Airport	845,649	729,620	-	121,787
Hilton Head Airport	2,675,379	1,508,468	244,468	882,837
<b>Total Business-Type Activities</b>	<b>11,195,508</b>	<b>10,385,146</b>	<b>244,468</b>	<b>1,004,624</b>
<b>Total</b>	<b>\$ 139,288,549</b>	<b>\$ 41,798,239</b>	<b>\$ 8,556,988</b>	<b>\$ 34,290,551</b>
<b>General Revenues &amp; Transfers</b>				
Taxes				
Grants and Contributions Not Restricted				
Unrestricted Investment Earnings				
Transfers In / (Out)				
Miscellaneous				
<b>Total General Revenues &amp; Transfers</b>				
<b>Change in Net Assets</b>				
<b>Net Assets, Beginning</b>				
<b>Net Assets, Ending</b>				

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Totals
\$ (8,559,543)	\$ -	\$ (8,559,543)
(35,623,710)	-	(35,623,710)
14,032,114	-	14,032,114
(4,318,941)	-	(4,318,941)
(1,588,191)	-	(1,588,191)
(8,331,395)	-	(8,331,395)
<u>(10,691,835)</u>	<u>-</u>	<u>(10,691,835)</u>
<u>(55,081,501)</u>	<u>-</u>	<u>(55,081,501)</u>
-	135,587	135,587
-	336,991	336,991
-	5,758	5,758
-	<u>(39,606)</u>	<u>(39,606)</u>
-	<u>438,730</u>	<u>438,730</u>
\$ <u>(55,081,501)</u>	\$ <u>438,730</u>	\$ <u>(54,642,771)</u>
\$ 81,399,195	\$ -	\$ 81,399,195
9,621,104	-	9,621,104
4,701,846	86,760	4,788,606
1,863,867	(1,863,867)	-
<u>9,342,263</u>	<u>270</u>	<u>9,342,533</u>
<u>106,928,275</u>	<u>(1,776,837)</u>	<u>105,151,438</u>
51,846,774	(1,338,107)	50,508,667
<u>112,925,715</u>	<u>23,128,211</u>	<u>136,053,926</u>
\$ <u>164,772,489</u>	\$ <u>21,790,104</u>	\$ <u>186,562,593</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	County Wide General Obligation Bonds	Sales Tax Projects
<b><u>ASSETS</u></b>			
Cash and Equity in Pooled Cash and Investments	\$ 16,963,419	\$ 20,230,545	\$ 16,285,029
Receivables, Net	4,063,589	1,705,490	7,783,702
Due from Other Governments	2,750,352	49	-
Advances to Other Funds	3,473,685	-	-
Prepaid Expenditures	85,849	-	-
<b>Total Assets</b>	<b>\$ 27,336,894</b>	<b>\$ 21,936,084</b>	<b>\$ 24,068,731</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b>Liabilities</b>			
Accounts Payable	\$ 2,967,386	\$ -	\$ 1,169,501
Accrued Payroll	2,599,817	-	-
Due to Others	1,308,938	-	-
Deferred Property Tax Revenue	703,762	128,468	-
Deferred Revenue	-	-	-
<b>Total Liabilities</b>	<b>7,579,903</b>	<b>128,468</b>	<b>1,169,501</b>
<b><u>FUND BALANCE</u></b>			
Reserved for Encumbrances	827,243	-	20,771,536
Reserved for Capital Projects	-	-	2,127,694
Reserved for Debt Service	-	21,807,616	-
Unreserved	18,929,748	-	-
<b>Total Fund Balance</b>	<b>19,756,991</b>	<b>21,807,616</b>	<b>22,899,230</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 27,336,894</b>	<b>\$ 21,936,084</b>	<b>\$ 24,068,731</b>

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

Real Property Program	Bluffton Parkway Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,929,631	\$ 3,361,646	\$ 84,984,397	\$ 144,754,667
210,000	323,912	2,502,421	16,589,114
-	-	2,885,902	5,636,303
-	-	-	3,473,685
-	-	5,868	91,717
<u>\$ 3,139,631</u>	<u>\$ 3,685,558</u>	<u>\$ 90,378,588</u>	<u>\$ 170,545,486</u>
\$ 9,446	\$ 55,141	\$ 5,254,971	\$ 9,456,445
-	-	331,211	2,931,028
-	-	347,385	1,656,323
-	-	48,430	880,660
-	-	5,622	5,622
<u>9,446</u>	<u>55,141</u>	<u>5,987,619</u>	<u>14,930,078</u>
-	1,283,116	17,404	22,899,299
3,130,185	2,347,301	24,722,348	32,327,528
-	-	26,798,248	48,605,864
-	-	32,852,969	51,782,717
<u>3,130,185</u>	<u>3,630,417</u>	<u>84,390,969</u>	<u>155,615,408</u>
<u>\$ 3,139,631</u>	<u>\$ 3,685,558</u>	<u>\$ 90,378,588</u>	<u>\$ 170,545,486</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2008

Total Governmental Fund Balances (Exhibit 3)	\$ 155,615,408
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	258,415,419
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred in governmental funds - property taxes	880,660
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in governmental funds	
Accrued Interest Payable	(3,648,037)
Current Portion of Long Term Debt	(6,476,701)
Accrued Compensated Absences	(2,763,940)
Net Other Post Employment Benefits Obligation	(3,241,930)
Long-term obligations	<u>(234,008,390)</u>
Net Assets of Governmental Activities	<u>\$ 164,772,489</u>

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





## Allée by Peggy Mac Bean

*"I had just come across the word allée in a mystery novel set in France, but hadn't made the connection with our Southern variety until I drove past this one. I did a double-take and made a probable illegal U-turn to take its picture in the early morning 'slant of light.' I love perspective shots anyway, especially ones like these that curve away into infinity."*

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2008

	County Wide		
	General	General Obligation Bonds	Sales Tax Projects
<b>Revenues</b>			
Taxes	\$ 60,474,820	\$ 9,107,612	\$ -
Licenses and Permits	3,894,583	-	-
Intergovernmental	8,649,634	187,213	25,531,506
Charges for Services	10,568,767	-	-
Fines and Forfeitures	1,029,600	-	-
Interest	1,015,196	787,746	399,212
Settlements	-	-	-
Miscellaneous	565,823	1,444,824	-
<b>Total Revenues</b>	<u>86,198,423</u>	<u>11,527,395</u>	<u>25,930,718</u>
<b>Expenditures</b>			
General Government	20,963,806	-	-
Public Safety	38,617,353	-	-
Public Works	15,946,656	-	-
Public Health	2,975,284	-	-
Public Welfare	931,321	-	-
Cultural and Recreation	8,658,731	-	-
Debt Service - Principal	-	6,685,000	-
Debt Service - Interest and Fees	-	5,731,747	-
Capital Projects	-	-	6,846,156
<b>Total Expenditures</b>	<u>88,093,151</u>	<u>12,416,747</u>	<u>6,846,156</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,894,728)	(889,352)	19,084,562
<b>Other Financing Sources (Uses)</b>			
Issuance of Bonds	-	17,530,000	-
Transfers In	2,251,087	4,075,128	-
Transfers Out	(2,241,888)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>9,199</u>	<u>21,605,128</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(1,885,529)	20,715,776	19,084,562
<b>Fund Balance at the Beginning of the Year</b>	<u>21,642,520</u>	<u>1,091,840</u>	<u>3,814,668</u>
<b>Fund Balance at the End of the Year</b>	<u>\$ 19,756,991</u>	<u>\$ 21,807,616</u>	<u>\$ 22,899,230</u>

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

Real Property Program	Bluffton Parkway Project	Nonmajor Governmental Funds	Totals Governmental Funds
\$ -	\$ -	\$ 11,336,960	\$ 80,919,392
-	-	11,349,933	15,244,516
5,010,000	-	11,841,198	51,219,551
-	-	4,311,877	14,880,644
-	-	258,333	1,287,933
488,149	134,620	1,876,923	4,701,846
-	-	6,503,786	6,503,786
7	-	1,080,906	3,091,560
<u>5,498,156</u>	<u>134,620</u>	<u>48,559,916</u>	<u>177,849,228</u>
-	-	3,318,141	24,281,947
-	-	4,012,204	42,629,557
-	-	3,558,404	19,505,060
-	-	6,673,427	9,648,711
-	-	621,330	1,552,651
-	-	705,935	9,364,666
-	-	930,000	7,615,000
-	-	4,387,498	10,119,245
<u>20,908,819</u>	<u>10,597,211</u>	<u>12,690,463</u>	<u>51,042,649</u>
<u>20,908,819</u>	<u>10,597,211</u>	<u>36,897,402</u>	<u>175,759,486</u>
(15,410,663)	(10,462,591)	11,662,514	2,089,742
20,000,000	5,500,000	-	43,030,000
-	-	12,516,563	18,842,778
-	-	(14,737,023)	(16,978,911)
<u>20,000,000</u>	<u>5,500,000</u>	<u>(2,220,460)</u>	<u>44,893,867</u>
4,589,337	(4,962,591)	9,442,054	46,983,609
<u>(1,459,152)</u>	<u>8,593,008</u>	<u>74,948,915</u>	<u>108,631,799</u>
\$ 3,130,185	\$ 3,630,417	\$ 84,390,969	\$ 155,615,408

BEAUFORT COUNTY, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008

Total Net Change in Fund Balances - Governmental Funds (Exhibit 4) \$ 46,983,609

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay excluded depreciation in the current period

Capital Outlay	54,716,472
Depreciation	(10,741,537)

In the statement of activities, the loss on disposal of capital assets is reported. Conversely, governmental funds do not report any gain or loss on disposal of capital assets.

Net Book Value of Capital Assets Disposed	(189,217)
---	-----------

Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues in the governmental funds

Increase in Deferred Property Taxes	479,803
-------------------------------------	---------

The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions has any affect on net assets

Issuance of Long-Term Bonds	(43,030,000)
Bond Principal Payments	7,615,000
Capital Lease Principal Payments	30,497

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Increase in Accrued Interest	(573,289)
Increase in Accrued Compensated Absences	(202,634)
Increase in Other Post Employment Benefit Cost	<u>(3,241,930)</u>

Change in Net Assets of Governmental Activities \$ 51,846,774

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

BEAUFORT COUNTY, SOUTH CAROLINA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 For the Year Ended June 30, 2008

	GENERAL			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 61,828,000	\$ 61,828,000	\$ 60,474,820	\$ (1,353,180)
Licenses and Permits	5,461,603	5,461,603	3,894,583	(1,567,020)
Intergovernmental	7,894,349	7,894,349	8,649,634	755,285
Charges for Services	11,649,817	11,649,817	10,568,767	(1,081,050)
Fines and Forfeitures	864,440	864,440	1,029,600	165,160
Interest	705,000	705,000	1,015,196	310,196
Miscellaneous	315,100	315,100	565,823	250,723
<b>Total Revenues</b>	<u>88,718,309</u>	<u>88,718,309</u>	<u>86,198,423</u>	<u>(2,519,886)</u>
<b>Expenditures</b>				
General Government	23,054,464	21,512,717	20,963,806	548,911
Public Safety	39,010,991	39,941,525	38,617,353	1,324,172
Public Works	16,727,486	17,557,837	15,946,656	1,611,181
Public Health	2,665,656	3,067,186	2,975,284	91,902
Public Welfare	471,585	986,085	931,321	54,764
Cultural and Recreation	8,693,301	8,828,337	8,658,731	169,606
<b>Total Expenditures</b>	<u>90,623,483</u>	<u>91,893,687</u>	<u>88,093,151</u>	<u>3,800,536</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,905,174)	(3,175,378)	(1,894,728)	1,280,650
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,957,500	5,812,500	2,251,087	(3,561,413)
Transfers Out	(3,060,572)	(3,060,572)	(2,241,888)	818,684
<b>Total Other Financing Sources (Uses)</b>	<u>1,896,928</u>	<u>2,751,928</u>	<u>9,199</u>	<u>(2,742,729)</u>
<b>Net Change in Fund Balance</b>	(8,246)	(423,450)	(1,885,529)	(1,462,079)
<b>Fund Balance at the Beginning of the Year</b>	<u>21,642,520</u>	<u>21,642,520</u>	<u>21,642,520</u>	<u>-</u>
<b>Fund Balance at the End of the Year</b>	<u>\$ 21,634,274</u>	<u>\$ 21,219,070</u>	<u>\$ 19,756,991</u>	<u>\$ (1,462,079)</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Garage	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Investments with Trustee	\$ 2,169	\$ 1,390,763	\$ 372	\$ 200	\$ 1,393,504
Receivables, Net	313,459	371,112	68,072	479,028	1,231,671
Internal Balances	-	-	(240,000)	240,000	-
Inventories	135,650	109,102	59,515	-	304,267
Prepayments	71,726	-	-	-	71,726
<b>Total Current Assets</b>	<b>523,004</b>	<b>1,870,977</b>	<b>(112,041)</b>	<b>719,228</b>	<b>3,001,168</b>
Capital Assets	417,789	2,431,367	3,967,504	23,121,164	29,937,824
Accumulated Depreciation	(186,611)	(998,813)	(568,124)	(4,849,640)	(6,603,188)
	231,178	1,432,554	3,399,380	18,271,524	23,334,636
<b>Total Assets</b>	<b>\$ 754,182</b>	<b>\$ 3,303,531</b>	<b>\$ 3,287,339</b>	<b>\$ 18,990,752</b>	<b>\$ 26,335,804</b>
<b>LIABILITIES</b>					
<b>Liabilities</b>					
Account Payable	566,007	23,895	82,624	74,018	746,544
Accrued Payroll	1,933	63,682	4,922	37,665	108,202
Current Portion of Advances					
Payable to General Fund	-	-	103,849	1,646,184	1,750,033
<b>Total Current Liabilities</b>	<b>567,940</b>	<b>87,577</b>	<b>191,395</b>	<b>1,757,867</b>	<b>2,604,779</b>
<b>Long Term Liabilities</b>					
Accrued Compensated Absences	145	44,457	1,759	31,050	77,411
Net Other Postemployment					
Benefits Obligation	2,797	95,104	2,797	39,160	139,858
Advances Payable to General Fund	-	-	-	1,723,652	1,723,652
<b>Total Long Term Liabilities</b>	<b>2,942</b>	<b>139,561</b>	<b>4,556</b>	<b>1,793,862</b>	<b>1,940,921</b>
<b>Total Liabilities</b>	<b>570,882</b>	<b>227,138</b>	<b>195,951</b>	<b>3,551,729</b>	<b>4,545,700</b>
<b>NET ASSETS</b>					
<b>Invested in Capital Assets, Net</b>					
of Related Debt	231,178	1,432,554	3,399,380	16,508,750	21,571,862
Unrestricted (Deficit)	(47,878)	1,643,839	(307,992)	(1,069,727)	218,242
<b>Total Net Assets</b>	<b>\$ 183,300</b>	<b>\$ 3,076,393</b>	<b>\$ 3,091,388</b>	<b>\$ 15,439,023</b>	<b>\$ 21,790,104</b>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2008

	Garage	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals
<b>Operating Revenues</b>					
Garage Billings	\$ 1,773,853	\$ -	\$ -	\$ -	\$ 1,773,853
Fuel and Oil Sales	3,140,009	-	599,504	-	3,739,513
Stormwater Utility Fees	-	2,910,758	-	-	2,910,758
Stormwater Utility Project Billings	-	316,307	-	-	316,307
Hanger Leases	-	-	-	30,000	30,000
FBO Concessions	-	-	-	22,005	22,005
FBO Fuel Commission	-	-	-	96,985	96,985
Concession Sales	-	-	8,362	-	8,362
Firefighting Fees	-	-	-	267,911	267,911
Landing Fees	-	-	14,894	196,266	211,160
Parking/Taxi Fees	-	-	-	45,245	45,245
Rentals	-	-	106,852	827,399	934,251
Passenger Facilities Charges	-	-	-	101,257	101,257
TSA Revenues	-	-	-	143,211	143,211
Other Charges	-	6,131	8	22,657	28,796
<b>Total Operating Revenues</b>	<u>4,913,862</u>	<u>3,233,196</u>	<u>729,620</u>	<u>1,752,936</u>	<u>10,629,614</u>
<b>Operating Expenses</b>					
Costs of Sales and Services	2,893,750	-	438,114	-	3,331,864
Personnel	52,880	1,677,522	109,969	936,470	2,776,841
Purchased Services	1,793,146	385,734	166,559	579,634	2,925,073
Supplies	11,925	539,600	13,371	54,939	619,835
Depreciation	26,574	293,349	53,412	633,282	1,006,617
<b>Total Operating Expenses</b>	<u>4,778,275</u>	<u>2,896,205</u>	<u>781,425</u>	<u>2,204,325</u>	<u>10,660,230</u>
<b>Operating Income (Loss)</b>	135,587	336,991	(51,805)	(451,389)	(30,616)
<b>Non-Operating Revenues (Expenses)</b>					
FAA Grants	-	-	90,703	864,230	954,933
SCAC Grants	-	-	31,084	18,607	49,691
Non-Operating Grant Expenditures	-	-	(64,224)	(376,873)	(441,097)
Transfers Out	-	-	(63,867)	(1,800,000)	(1,863,867)
Gain (Loss) on Sale of Property and Equipment	270	-	-	-	270
Interest Earned	-	19,681	-	67,079	86,760
Interest Expense	-	-	-	(94,181)	(94,181)
<b>Total Non-Operating Revenues</b>	<u>270</u>	<u>19,681</u>	<u>(6,304)</u>	<u>(1,321,138)</u>	<u>(1,307,491)</u>
<b>Change in Net Assets</b>	135,857	356,672	(58,109)	(1,772,527)	(1,338,107)
<b>Net Assets, Beginning</b>	<u>47,443</u>	<u>2,719,721</u>	<u>3,149,497</u>	<u>17,211,550</u>	<u>23,128,211</u>
<b>Net Assets, Ending</b>	<u>\$ 183,300</u>	<u>\$ 3,076,393</u>	<u>\$ 3,091,388</u>	<u>\$ 15,439,023</u>	<u>\$ 21,790,104</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2008

	Garage	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers and Users	\$ 4,861,323	\$ 2,866,009	\$ 877,109	\$ 2,176,480	\$ 10,780,921
Cash Paid to Employees	(49,474)	(1,552,309)	(105,794)	(893,291)	(2,600,868)
Cash Paid to Suppliers	<u>(4,687,834)</u>	<u>(1,008,569)</u>	<u>(828,878)</u>	<u>(1,215,642)</u>	<u>(7,740,923)</u>
	124,015	305,131	(57,563)	67,547	439,130
<b>Cash Flows from Capital and Related Financing Activities:</b>					
FAA Grants	-	-	90,703	864,230	954,933
SCAC Grants	-	-	31,084	18,607	49,691
Non-Operating Grant Expenditures	-	-	(64,224)	(376,873)	(441,097)
Proceeds from Sale of Capital Assets	270	-	-	-	270
Purchase of Capital Assets	(122,116)	(109,556)	-	(126,991)	(358,663)
Principal Payment on Debt	-	-	-	(419,418)	(419,418)
Interest Paid on Debt	-	-	-	(94,181)	(94,181)
	<u>(121,846)</u>	<u>(109,556)</u>	<u>57,563</u>	<u>(134,626)</u>	<u>(308,465)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest Earned	-	19,681	-	67,079	86,760
Net Increase in Cash and Cash Equivalents	2,169	215,256	-	-	217,425
Cash and Cash Equivalents, July 1, 2007	-	1,175,507	372	200	1,176,079
Cash and Cash Equivalents, June 30, 2008	<u>\$ 2,169</u>	<u>\$ 1,390,763</u>	<u>\$ 372</u>	<u>\$ 200</u>	<u>\$ 1,393,504</u>

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



BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2008

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ 135,587	\$ 336,991	\$ (51,805)	\$ (451,389)	\$ (30,616)
Adjustments to Reconcile:					
Depreciation	<u>26,674</u>	<u>293,349</u>	<u>53,412</u>	<u>633,282</u>	<u>1,006,617</u>
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(52,539)	(367,187)	147,489	423,544	151,307
(Increase) Decrease in Inventories	(64,540)	-	(28,820)	-	(93,360)
Increase (Decrease) in Accounts Payable	75,527	(83,235)	(182,014)	(581,069)	(770,791)
Increase (Decrease) in Accrued Payroll	464	(14,348)	(381)	(27,031)	(41,296)
Increase (Decrease) in Accrued Compensated Absences	145	44,457	1,759	31,050	77,411
Increase (Decrease) in Net Other Postemployment Benefits Obligation	<u>2,797</u>	<u>95,104</u>	<u>2,797</u>	<u>39,160</u>	<u>139,858</u>
	<u>(38,146)</u>	<u>(325,209)</u>	<u>(59,170)</u>	<u>(114,346)</u>	<u>(536,871)</u>
Net Cash Flow from Operating Activities	<u>\$ 124,015</u>	<u>\$ 305,131</u>	<u>\$ (57,563)</u>	<u>\$ 67,547</u>	<u>\$ 439,130</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
June 30, 2008

ASSETS

Cash and Equity in Pooled Cash and Investments  
Total Assets

\$ 91,176,012  
91,176,012

LIABILITIES

Due to Agency  
Total Liabilities

91,176,012  
91,176,012

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

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies

The financial statements of Beaufort County, South Carolina, have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statement and interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

Reporting Entity

Beaufort County operates under the Council/Administrator form of government with Council members elected for four-year terms from each of the eleven single-member districts. This report includes all funds of Beaufort County that are controlled by this governing body, and are considered to be the "reporting entity" known as Beaufort County.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities for the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources management focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The county wide general obligation bond fund accounts for the expenditures of the bond proceeds of the bonds issued for various capital projects throughout the County.

The sales tax projects fund accounts for the expenditure of the 1% local sales tax referendum proceeds which are used for various capital projects throughout the County.

The real property purchase program fund accounts for the expenditure of bond proceeds of the bonds issued for the purchase of rural and critical lands within the County.

The Bluffton Parkway project fund accounts for the expenditure of the bond proceeds of the bonds issued for the construction of the Bluffton Parkway and for improvements to the Buckwalter Parkway.

The County reports the following major enterprise funds:

The garage fund accounts for the activities of the County's garage operations.

The stormwater utility fund accounts for the activities of the County's stormwater utility operations.

The Lady's Island Airport fund accounts for the activities of the County's airport operations on Lady's Island.

The Hilton Head Island Airport fund accounts for the activities of the County's airport operations on Hilton Head Island.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

Additionally, the government reports the following fund types:

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Agency Funds

The agency funds account for monies held on behalf of school districts, special districts, and other agencies that use the County as a depository or property taxes are collected on behalf of the other governments.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's garage function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amount reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues and expenses* from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restriction imposed by creditors, grantors, laws, or regulations of other governments. Net assets invested in capital assets net of related debt were as follows:

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

Net Capital Assets	\$	258,415,419
Less: Current Portion of Long Term Debt		(6,476,701)
Long Term Obligations		(234,008,390)
Add Unspent Bond Proceeds: Sales Tax Projects		22,899,230
Real Property Program		3,130,185
Bluffton Parkway Project		3,630,417
Capital Projects Funds		<u>23,084,878</u>
	\$	<u>70,675,038</u>

Deferred revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Equity in Pooled Cash and Investments - The County maintains a pooled cash and investment account for all funds for accounting and investment purposes. This gives the County the ability to invest idle cash for short periods of time and to earn the most favorable available rate of return. The "equity in pooled cash and investments" represents the amount of pooled cash and investments owned by each fund of the County. Certain individual funds may reflect a cash deficit, from time to time. These cash deficits are not considered an equity transfer since the transfer has not been approved by County Council and is considered to be temporary in nature.

Investments - Investments consist of certificates of deposit and repurchase agreements. With the majority of the County's investments maturing in less than 1 year, all investments are recorded at cost, which approximates market value.

Receivables - All receivables are reported at their gross value and when appropriate, are reduced by the estimated portion that is uncollectible.

Inventories - Inventories consist of fuels and supplies (enterprise funds) and are stated at the lower of "first-in, first-out" cost or market.

Capital Assets - Capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is calculated on the straight-line basis starting in the month of purchase/completion over the following estimated useful lives:

Buildings	25 years
Improvements	25 years
Infrastructure	25 years
Equipment	5 – 10 years

Long-Term Obligations - In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as bond proceeds. Premiums received on debt issuances are reported as interest on investments while discounts and issuance costs are reported as interest and fees expenditures.

Compensated Absences – The County accrues compensated absences and associated employee-related costs when earned by the employee.

Due to and from Other Funds/Internal Balances – Interfund receivables and payables in the fund financial statements and internal balances in the government-wide financial statements arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Revenues – Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied.

Expenditures – Expenditures are recognized when the related fund liability is incurred.

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 County's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Budgets and Budgetary Accounting - The County uses GAAP as the basis for its budgeting and uses the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) The County Administrator submits to County Council, prior to June 1, proposed operating, special revenue, debt service, and capital improvement (CIP) budgets for the fiscal year commencing July 1. The operating, special revenue, debt service, and CIP budgets include proposed expenditures, revenues, and financing sources.
- (2) The Council requires such changes to be made as it deems necessary, provided the budget remains in balance and is subject to the notice of hearing requirements of Section 4-9-140 of the South Carolina Statutes.
- (3) Public hearings are held pursuant to Section 4-9-140 of the South Carolina Statutes in order for the Council to adopt the tentative and final budget.
- (4) Prior to July 1, the operating, special revenue, debt service and CIP budgets are legally enacted through passage of an ordinance setting forth anticipated revenues and appropriations by fund.
- (5) The County Administrator or his designee is authorized to transfer funds among operating accounts or among capital accounts within a department. All transfers between departments and programs or between operating and capital accounts must be authorized by the Council in accordance with Section 4-9-140 of the South Carolina Statutes. In accordance with County Ordinance #2006/14, Section 12, amounts of \$10,000 or less can be approved by the Council Chairman and/or Council Finance Committee Chairman; transfers of \$5,000 or less can be approved by the County Administrator and/or his designee.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

- (6) Formal budgetary integration is employed as a measurement control device for all governmental funds of the County. The level on which expenditures may not legally exceed appropriations is the fund level.
- (7) Budgets for the governmental fund types are adopted on a basis consistent with generally accepted accounting principles.
- (8) Revenues in excess of the current budget ordinance may be expended as directed by the revenue source or for the purpose for which the funds were generated without further approval by County Council, as per Section 14 of County Ordinance #2006/14.

2. Cash and Equity in Pooled Cash and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk. At June 30, 2008, the carrying amount of the County's deposits was \$28,151,959 and the bank balance was \$25,146,322. State law requires that all of the County's deposits be covered by FDIC insurance or by collateral held by the pledging financial institutions' trust department in the County's name.

Investments

As of June 30, 2008, the County has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment maturities (in years)</u>	
		<u>Less than 1</u>	<u>1 - 5</u>
US Treasury Obligations	\$ 2,728,847	\$ 2,728,847	\$ -
US Government Agency Obligations	<u>199,149,403</u>	<u>196,140,013</u>	<u>3,009,390</u>
	201,878,250	198,868,860	3,009,390
South Carolina Local Government Investment Pool	<u>7,293,974</u>	<u>7,293,974</u>	<u>-</u>
	<u>\$209,172,224</u>	<u>\$206,162,834</u>	<u>\$ 3,009,390</u>

Interest Rate Risk

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

Credit Risk

The County has no investment policy that would further limit its investment choices other than state law. As of June 30, 2008, the underlying security ratings of the County's investment in the South Carolina Local Government Investment Pool (LGIP) may be obtained from the LGIP's complete financial statements. These financial statements may be obtained by writing to the following address:

The State Treasurer's Office  
 Local Government Investment Pool  
 Post Office Box 11778  
 Columbia, SC 29211

The County's investments in U.S. Government Agency Obligations were rated Aa by Moody's Investors Services.



BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

2. Cash and Equity in Pooled Cash and Investments -- Continued:

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. As of June 30, 2008, the County had investments with three issuers that exceeded 5% of total investments.

3. Receivables/Due from Other Governments

All property taxes receivable are shown net of allowances for uncollectibles. The County considers all taxes to be collectible; therefore, no allowance for uncollectibles has been established.

The following details receivables-net by fund:

	General Fund	County Wide General Obligation Bonds	Sales Tax Projects
Property Tax Receivable	\$ 745,743	\$ 149,879	\$ -
Licenses and Fees Receivable	74,678	-	-
Accounts Receivable - Other	<u>1,762,774</u>	<u>1,555,611</u>	<u>7,783,702</u>
	<u>\$ 4,063,589</u>	<u>\$ 1,705,490</u>	<u>\$ 7,783,702</u>
	Real Property Program	Bluffton Parkway Project	Nonmajor Governmental Funds
Property Tax Receivable	\$ -	\$ -	\$ 51,458
Licenses and Fees Receivable	-	-	1,443,805
Accounts Receivable - Other	<u>210,000</u>	<u>323,912</u>	<u>1,007,158</u>
	<u>\$ 210,000</u>	<u>\$ 323,912</u>	<u>\$ 2,502,421</u>

Key dates in the property tax cycle for tax year 2007 are as follows:

Assessment Date	2004
Property Taxes Levied	September 3, 2007
Tax Bills Rendered	October 1, 2007
Property Taxes Payable	March 16, 2008
Delinquency Date	March 17, 2008
Tax Sale Dates	October 6 - 7, 2008

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

3. Receivables/Due from Other Governments – Continued:

The following details the due from other governments by fund:

	General Fund	County Wide General Obligation Bonds	Nonmajor Governmental Funds
State Aid to Subdivisions	\$ 2,003,755	\$ 49	\$ -
General Government Programs	746,597	-	184,556
Public Safety Programs	-	-	585,142
Public Works Programs	-	-	1,258,394
Alcohol & Drug Programs	-	-	55,388
Disabilities and Special Needs Programs	-	-	24,488
Public Welfare Programs	-	-	18,881
Cultural & Recreational Programs	-	-	59,515
2005 Bond Projects	-	-	699,538
	<u>\$ 2,750,352</u>	<u>\$ 49</u>	<u>\$ 2,885,902</u>

4. Capital Assets

Governmental Activities

	Balance June 30, 2007	Additions	Disposals or Transfers	Balance June 30, 2008
<b>Capital Assets not Being Depreciated:</b>				
Land & Easements	\$ 54,310,250	\$ 21,574,623	\$ -	\$ 75,884,513
Construction in Progress	<u>29,618,525</u>	<u>33,242,802</u>	<u>47,700,965</u>	<u>15,160,362</u>
Total Capital Assets not Being Depreciated	<u>83,928,775</u>	<u>54,817,065</u>	<u>47,700,965</u>	<u>91,044,875</u>
<b>Other Capital Assets:</b>				
Buildings & Improvements	125,903,725	4,435,711	206,740	130,132,696
Infrastructure	37,016,835	34,727,071	-	71,743,906
Equipment	<u>34,971,638</u>	<u>8,437,590</u>	<u>994,592</u>	<u>42,414,636</u>
Total Other Capital Assets	197,892,198	47,600,372	1,201,332	244,291,238
<b>Accumulated Depreciation –</b>				
Buildings & Improvements	38,414,396	5,029,482	200,218	43,243,660
<b>Accumulated Depreciation –</b>				
Infrastructure	3,724,087	2,174,895	-	5,898,982
<b>Accumulated Depreciation –</b>				
Equipment	<u>25,052,789</u>	<u>3,537,160</u>	<u>811,897</u>	<u>27,778,052</u>
Total Accumulated Depreciation	<u>67,191,272</u>	<u>10,741,537</u>	<u>1,012,115</u>	<u>76,920,694</u>
Other Capital Assets, Net	<u>130,700,926</u>	<u>36,858,835</u>	<u>189,217</u>	<u>167,370,544</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 214,629,701</u>	<u>\$ 91,675,900</u>	<u>\$ 47,890,182</u>	<u>\$ 258,415,419</u>

For the capital assets of the governmental activities, depreciation is computed on the straight-line method of depreciation over the estimated useful lives of the assets, which range from five to twenty-five years. Depreciation expense for the year ended June 30, 2008 was \$10,741,537 and the accumulated depreciation as of June 30, 2008 was \$76,920,694.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

4. Capital Assets – Continued:

The depreciation expense was allocated as follows:

General Government	\$ 2,605,845
Public Safety	3,175,223
Public Works	2,887,090
Public Health	80,493
Public Welfare	189,077
Cultural and Recreation	<u>1,803,809</u>
Total	<u>\$10,741,537</u>

Business-Type Activities

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Disposals or Transfers</u>	<u>Balance June 30, 2008</u>
Capital Assets not Being Depreciated:				
Land & Easements	\$ 13,802,425	\$ -	\$ -	\$ 13,802,425
Construction in Progress	<u>63,867</u>	<u>623,634</u>	<u>634,342</u>	<u>53,159</u>
Total Capital Assets not Being Depreciated	<u>13,866,292</u>	<u>623,634</u>	<u>634,342</u>	<u>13,855,584</u>
Other Capital Assets:				
Buildings & Improvements	11,499,363	228,945	-	11,728,308
Equipment	<u>4,411,370</u>	<u>76,559</u>	<u>133,998</u>	<u>4,353,931</u>
Total Other Capital Assets	15,910,733	305,504	133,998	16,082,239
Accumulated Depreciation –				
Buildings & Improvements	3,894,579	469,035	-	4,363,614
Accumulated Depreciation –				
Equipment	<u>1,835,989</u>	<u>537,582</u>	<u>133,998</u>	<u>2,239,573</u>
Total Accumulated Depreciation	<u>5,730,568</u>	<u>1,006,617</u>	<u>133,998</u>	<u>6,603,187</u>
Other Capital Assets, Net	<u>10,180,165</u>	<u>(701,113)</u>	-	<u>9,479,052</u>
Business-Type Activities Capital Assets, Net	<u>\$24,046,457</u>	<u>\$ (77,479)</u>	<u>\$ 634,342</u>	<u>\$ 23,334,636</u>

For the capital assets of the business-type activities, depreciation is computed on the straight-line method of depreciation over the estimated useful lives, which range from five to twenty-five years, of the assets. Depreciation expense for the year ended June 30, 2008 was \$989,822 and the accumulated depreciation as of June 30, 2008 was \$6,603,187.

The depreciation expense was allocated as follows:

Garage	\$ 26,574
Stormwater Utility	293,349
Lady's Island Airport	53,412
Hilton Head Airport	<u>633,282</u>
Total	<u>\$1,006,617</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long-Term Obligations

	Governmental Activities	Business-type Activities
General Obligation Bonds	\$ 177,515,000	\$ -
TIF Revenue Bonds	62,760,000	-
Note Payable	-	1,762,774
Capital Leases	210,091	-
	\$ 240,485,091	\$ 1,762,774

General Obligation Bonds

In June 1999, the County issued \$9,100,000 in General Obligation bonds, bearing interest rates of 4.60% to 5.25% and with varying maturity dates through 2008. The proceeds of these bonds were used for various County projects including the purchase of development rights on Lemon Island, the construction of the Buckwalter Parkway, the minor renovations of various County buildings and park facilities, and other governmental projects within the County. These bonds were retired during the 2008 fiscal year.

In April 2001, the County issued \$30,000,000 in General Obligation bonds, bearing interest rates of 4.375% to 5.25% and with varying maturity dates through 2020. The proceeds of these bonds were used as follows: \$10,000,000 for the purchase of real property programs as approved by referendum in November 2000, \$10,000,000 to pay the bond anticipation notes issued May 2000, and \$10,000,000 for various County projects including the purchase of telecommunications equipment, the construction of additional facilities for the Detention Center, the construction of additional hangars at the Lady's Island Airport, and for other governmental projects within the County.

In May 2002, the County issued \$25,100,000 in General Obligation bonds, bearing interest rates of 3.0% to 4.875% and with varying maturity dates through 2022. The proceeds of these bonds were used as follows: \$10,950,000 to pay off the outstanding bonds and related costs of the 1993 General Obligation issue and \$14,000,000 for various County projects to include the purchase of telecommunications equipment, improvements to various county parks, construction of solid waste drop off centers, and for other government construction projects within the County.

In June 2003, the County issued \$25,500,000 in General Obligation bonds, bearing interest rates of 2.0% to 5.0% and with varying maturities through 2023. The proceeds of these bonds were used as follows: \$10,000,000 for the purchase of real property program as approved by referendum in November 2000, \$5,000,000 for paving and improving roads within the County, and \$10,500,000 for various County projects including the purchase of telecommunications equipment, improvements to various County parks, and for other governmental construction projects within the County.

In November 2004, the County issued \$30,500,000 in General Obligation bonds bearing interest rates of 3.0% to 5.0% and with varying maturities through 2025. The proceeds of these bonds were used as follows: \$20,000,000 for the purchase of real property program as approved by referendum in November 2000, and \$10,500,000 for various County projects including the purchase of various public works and public safety vehicles, improvements to various County parks, and for other governmental construction projects within the County.

In November 2006, the County issued \$17,500,000 in General Obligation bonds bearing interest rates of 3.5% to 8.0% and with varying maturities through 2026. The proceeds of these bonds were used for various County projects.

In December 2006, the County issued \$30,000,000 in General Obligation bonds bearing interest rates of 4.0% to 6.75% and with varying maturities through 2026. The proceeds of these bonds were used to "pay off" the County's Bond Anticipation Notes of \$25,000,000 and provide additional funds for the construction of the Blufton Parkway Project.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long Term Obligations – Continued:

In September 2007, the County issued \$25,500,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2027. \$20,000,000 of the proceeds of these bonds was used for the County's rural and critical lands projects, as approved by referendum in November 2006, and the remaining \$5,500,000 of the proceeds of these bonds was used for the Buckwalter Parkway extension.

In October 2007, the County issued \$17,530,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2020. The proceeds of these bonds were used for various County projects.

The 2001, 2002, 2003, 2005, 2006, 2006B, 2007, and 2007B general obligation bonds are collateralized by the full faith and credit of the County and are payable from ad valorem taxes.

General obligation bonds accounted for in the County's Statement of Net Assets consist of the following at June 30, 2008:

<u>Description</u>	<u>Rates and Dates</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding at June 30, 2008</u>
1999 Improvement Bonds	4.6% - 5.25% 2/1 and 8/1	2008	\$ 9,100,000	\$ -
2001 County Bonds	4.375% - 5.25% 2/1 and 8/1	2020	30,000,000	21,690,000
2002 County Bonds	3.0% - 4.875% 2/1 and 8/1	2022	25,100,000	15,380,000
2003 County Bonds	2.0% - 5.0% 2/1 and 8/1	2023	25,500,000	21,750,000
2005 County Bonds	3.0% - 5.0% 2/1 and 8/1	2025	30,500,000	29,900,000
2006 County Bonds	3.5% - 8.0% 3/1 and 9/1	2026	17,500,000	16,650,000
2006B County Bonds	4.0% - 6.75% 3/1 and 9/1	2026	30,000,000	29,500,000
2007 County Bonds	4.0% - 5.0% 3/1 and 9/1	2026	25,500,000	25,350,000
2007B County Bonds	4.0% - 5.0% 2/1 and 8/1	2026	<u>17,530,000</u>	<u>17,295,000</u>
			<u>\$210,730,000</u>	<u>\$177,515,000</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

5. Long Term Obligations – Continued:

A schedule of the debt servicerequirements associated with the general obligation bonds follows:

Fiscal Year Ending	2001 Improvement Bonds	2002 County Bonds	2003 County Bonds	2005 County Bonds	2006 County Bonds
2009	\$ 2,493,004	\$ 2,298,225	\$ 1,773,500	\$ 1,667,875	\$ 1,203,313
2010	2,493,079	2,587,025	1,803,250	1,808,875	1,235,813
2011	2,489,869	2,568,525	1,828,312	1,795,875	1,266,563
2012	2,481,019	1,111,525	1,899,563	1,781,875	1,292,563
2013	2,476,519	1,113,681	1,966,563	1,917,250	1,319,000
2014-2018	12,265,857	5,597,375	10,409,815	10,976,750	6,836,125
2019-2023	4,849,425	4,532,175	10,467,939	18,541,250	7,035,250
2024-2027	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,572,500</u>	<u>4,235,750</u>
Total	29,548,772	20,108,531	30,148,943	48,061,750	24,424,377
Less Amount Representing Interest	<u>7,858,772</u>	<u>4,728,531</u>	<u>8,398,943</u>	<u>18,161,750</u>	<u>7,774,377</u>
Net	<u>\$ 21,690,000</u>	<u>\$15,380,000</u>	<u>\$21,750,000</u>	<u>\$29,900,000</u>	<u>\$16,650,000</u>

Fiscal Year Ending	2006B County Bonds	2007 County Bonds	2007B County Bonds	Total
2009	\$ 1,841,250	\$ 1,400,031	\$ 783,500	\$13,760,698
2010	1,917,250	1,514,031	781,900	14,141,223
2011	1,989,250	1,623,031	785,300	14,346,226
2012	2,057,250	1,727,031	2,368,500	14,719,326
2013	2,151,250	1,826,031	2,363,300	15,103,594
2014-2018	11,500,250	10,248,655	11,614,300	79,449,127
2019-2023	14,044,250	11,436,312	4,580,000	75,486,601
2024-2027	<u>8,664,125</u>	<u>9,906,626</u>	<u>-</u>	<u>32,379,001</u>
Total	44,134,875	39,681,748	23,276,800	259,385,796
Less Amount Representing Interest	<u>14,634,875</u>	<u>14,331,778</u>	<u>5,981,800</u>	<u>81,870,796</u>
Net	<u>\$ 29,500,000</u>	<u>\$25,350,000</u>	<u>\$17,295,000</u>	<u>\$177,515,000</u>

Total interest paid on bonds outstanding for the year ended June 30, 2008 was \$6,887,885.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long Term Obligations – Continued:

The following is a schedule of principal payments for all general obligation bonds:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2009	\$ 5,930,000
2010	6,530,000
2011	7,000,000
2012	7,645,000
2013	8,335,000
2014-2018	51,720,000
2019-2023	60,630,000
2024-2027	<u>29,725,000</u>
Total	\$ <u>177,515,000</u>

Tax Increment Financing Revenue Bonds

In December 2002, the County issued \$40,000,000 in Tax Increment Financing Revenue Bonds for the New River TIF District, bearing interest rates of 3.0% to 5.5% and with varying maturities through 2027. The proceeds of these bonds were used to provide infrastructure and other improvements within the Tax Increment Financing District, including buildings for both the University of South Carolina – Beaufort and the Technical College of the Lowcountry.

In November 2003, the County issued \$23,680,000 in Tax Increment Revenue Bonds for the Bluffton TIF District, bearing interest rates of 2.0% to 5.0% and with varying maturities through 2028. The proceeds of these bonds were used to pay the outstanding bond anticipation note and to provide infrastructure improvements within the Tax Increment Financing District.

The following is a schedule of the debt service requirements:

<u>Fiscal Year Ending</u>	<u>New River TIF</u>	<u>Bluffton TIF</u>	<u>Total</u>
2009	\$ 2,286,382	\$ 1,334,955	\$ 3,621,337
2010	2,546,463	1,395,790	3,950,063
2011	2,813,262	1,489,150	4,302,412
2012	2,993,463	1,575,275	4,568,738
2013	3,172,350	1,731,275	4,903,625
2014-2018	17,506,450	10,048,550	27,555,000
2019-2023	18,226,325	14,221,250	32,447,575
2024-2028	<u>14,934,750</u>	<u>5,582,250</u>	<u>20,517,000</u>
Total	64,479,445	37,386,305	101,865,750
Less Amount Representing Interest	<u>24,929,445</u>	<u>14,176,305</u>	<u>39,105,750</u>
Net	<u>\$39,550,000</u>	<u>\$23,210,000</u>	<u>\$62,760,000</u>

Total interest paid on bonds outstanding for the year ended June 30, 2008 as \$3,118,698.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

5. Long Term Obligations - Continued:

Notes Payable

In September 2000, the County issued a note for \$1,325,000 for the balance owed on the purchase of land for the Hilton Head Island Airport. The note was payable in annual payments of \$205,836, including interest at 5.1% through September 2008, however the note was paid off in full during the 2008 fiscal year.

Advances from the General Fund

In September 2007, the County issued a note for \$1,800,000 for the balance owed for the construction of hangers at the Hilton Head Island Airport. The note was payable in quarterly payments of \$31,634, including interest at 5.0 % through June 2032. The current portion of this note as of June 30, 2008 was \$39,122. Advances from the general fund also included \$1,710,911 at June 30, 2008 for advances for certain operating expenses.

Capital Leases

As of June 30, 2008, the County has one lease-purchase agreement to purchase communication equipment with a lease term of 10 years and an interest rate of 3.95%. The communication equipment under this capital lease is included in the equipment in Note 4.

The following is a schedule of future minimum lease payments under this capital lease, together with the present value of net minimum lease payments at June 30, 2008.

<u>Fiscal Year Ending</u>	<u>Amount</u>
2009	\$ 40,000
2010	40,000
2011	40,000
2012	40,000
2013	40,000
2014	<u>40,000</u>
Total	240,000
Less Amount Representing Interest	<u>29,909</u>
Net	<u>\$ 210,091</u>

The County records capital lease payments as current year expenditures in the fund to which the lease applies. The liability for capital leases and the associated assets are recorded.

Total interest paid on capital leases for the year ended June 30, 2008 was approximately \$9,503 which was recorded as an expenditure in the Special Revenue Fund for E-911 equipment.



BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

5. Long Term Obligations - Continued:

Governmental Activities Changes in Long-Term Obligations

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
General Obligation Bonds	\$ 141,670,000	\$ 43,030,000	\$ 7,185,000	\$177,515,000
TIF Revenue Bonds	63,190,000	-	430,000	62,760,000
Capital Leases	<u>240,588</u>	<u>-</u>	<u>30,497</u>	<u>210,091</u>
Totals	<u>\$ 205,100,588</u>	<u>\$ 43,030,000</u>	<u>\$ 7,645,497</u>	<u>\$240,485,091</u>

Business-Type Activities Changes in Long-Term Obligations

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Notes Payable	\$ 382,191	\$ 1,800,000	\$ 419,417	\$ 1,762,774

Combined Changes in Long-Term Obligations

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
General Obligation Bonds	\$ 141,670,000	\$ 43,030,000	\$ 7,185,000	\$177,515,000
TIF Revenue Bonds	63,190,000	-	430,000	62,760,000
Notes Payable	382,191	1,800,000	419,417	1,762,774
Capital Leases	<u>240,588</u>	<u>-</u>	<u>30,497</u>	<u>210,091</u>
Totals	<u>\$ 205,482,779</u>	<u>\$ 44,830,000</u>	<u>\$ 8,064,914</u>	<u>\$242,247,865</u>

Current Portion of Long Term Obligations

The current portion of long term obligations is computed as follows:

General Obligations Bonds	\$ 5,930,000
TIF Revenue Bonds	515,000
Notes Payable	39,122
Capital Leases	<u>31,701</u>
	<u>\$ 6,515,823</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

6. Accrued Compensated Absences

The County considers accrued compensated absences to be long term liabilities.

Governmental Activities Changes in Long-Term Obligations

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Accrued Compensated Absences	\$ <u>2,560,606</u>	\$ <u>3,069,788</u>	\$ <u>2,867,154</u>	\$ <u>2,763,240</u>

Business-Type Activities Changes in Long-Term Obligations

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Accrued Compensated Absences	\$ <u>62,289</u>	\$ <u>100,906</u>	\$ <u>85,784</u>	\$ <u>77,411</u>

Note: The business-type activities accrued compensated absences balance at June 30, 2007 was included in accrued payroll.

7. Interfund Transfers

The following interfund transfers were made during the year ended June 30, 2008. These transfers were permanent in nature and as such there are not any anticipated repayments.

<u>Recipient Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds	\$ 451,087
General Fund	Proprietary Funds	1,800,000
Nonmajor Special Revenue Funds	General Fund	2,241,888
Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	9,632,486
Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	461,925
Nonmajor Capital Projects Funds	Nonmajor Capital Projects Funds	4,191,525
Nonmajor Capital Projects Funds	Proprietary Funds	<u>63,867</u>
		<u>\$ 18,863,867</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

8. Segment Information for Business-type Activities

The County maintains four Enterprise Funds which provide garage (vehicle repair), stormwater utility and airport services. Segment information is as follows:

Consolidated Statement of Net Assets:

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
<b>Assets:</b>					
Current Assets	\$ 523,004	\$ 1,870,977	\$ (112,041)	\$ 719,228	\$ 3,001,168
Capital Assets, Net	<u>231,178</u>	<u>1,432,554</u>	<u>3,399,380</u>	<u>18,271,524</u>	<u>23,334,636</u>
<b>Total Assets</b>	<b><u>\$ 754,182</u></b>	<b><u>\$ 3,303,531</u></b>	<b><u>\$ 3,287,339</u></b>	<b><u>\$ 18,990,752</u></b>	<b><u>\$ 26,335,804</u></b>
<b>Liabilities:</b>					
Current Liabilities	\$ 567,940	\$ 87,577	\$ 191,395	\$ 1,757,867	\$ 2,604,779
Accrued Compensated Absences	145	44,457	1,759	31,050	77,411
Net Other Postemployment Benefits Obligation	2,797	95,104	2,797	39,160	139,858
Advances Payable to General Fund	-	-	-	<u>1,723,652</u>	<u>1,723,652</u>
<b>Total Liabilities</b>	<b>570,882</b>	<b>227,138</b>	<b>195,951</b>	<b>3,551,729</b>	<b>4,545,700</b>
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt	231,178	1,432,554	3,399,380	16,508,750	21,571,862
Unrestricted (Deficit)	<u>(47,878)</u>	<u>1,643,839</u>	<u>(307,992)</u>	<u>(1,069,727)</u>	<u>218,242</u>
<b>Total Net Assets</b>	<b><u>183,300</u></b>	<b><u>3,076,393</u></b>	<b><u>3,091,388</u></b>	<b><u>15,439,023</u></b>	<b><u>21,790,104</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 754,182</u></b>	<b><u>\$ 3,303,531</u></b>	<b><u>\$ 3,287,339</u></b>	<b><u>\$ 18,990,752</u></b>	<b><u>\$ 26,335,804</u></b>

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

8. Segment Information for Business-type Activities— Continued:

Consolidated Statement of Revenues, Expenses, and Net Assets:

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
Operating Revenues	\$ 4,913,862	\$ 3,233,196	\$ 729,620	\$ 1,752,936	\$10,629,614
Cost of Sales and Services	2,893,750	-	438,114	-	3,331,864
Operating Expenses before Depreciation	1,857,951	2,602,856	289,899	1,571,043	6,321,749
Depreciation	<u>26,574</u>	<u>293,349</u>	<u>53,412</u>	<u>633,282</u>	<u>1,006,617</u>
Operating Income (Loss)	<u>\$ 135,587</u>	<u>\$ 336,991</u>	<u>\$ (51,805)</u>	<u>\$ (451,389)</u>	<u>\$ (30,616)</u>
Nonoperating Revenues/ (Expenses):					
FAA Grants	-	-	90,703	864,230	954,933
SCAC Grants	-	-	31,804	18,607	49,691
Nonoperating Grant Expenditures	-	-	(64,224)	(376,873)	(441,097)
Transfers Out	-	-	(63,867)	(1,800,000)	(1,863,867)
Gain (Loss) on Sale of Equipment	270	-	-	-	270
Interest Earned	-	19,681	-	67,079	86,760
Interest Expense	-	-	-	(94,181)	(94,181)
Total Nonoperating Revenues/ (Expenses)	<u>270</u>	<u>19,681</u>	<u>(6,304)</u>	<u>(1,321,138)</u>	<u>(1,307,491)</u>
Change in Net Assets	135,857	356,672	(58,109)	(1,772,527)	(1,338,107)
Net Assets, Beginning	<u>47,443</u>	<u>2,719,721</u>	<u>3,149,497</u>	<u>17,211,550</u>	<u>23,128,211</u>
Net Assets, Ending	<u>\$ 183,300</u>	<u>\$ 3,076,393</u>	<u>\$ 3,091,388</u>	<u>\$ 15,439,023</u>	<u>\$21,790,104</u>

Consolidated Statement of Cash Flows:

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
Net Cash Provided (Used) By:					
Operating Activities	124,015	305,131	(57,563)	67,547	439,130
Noncapital Financing Activities	-	-	57,563	(7,635)	49,928
Capital and Related Financing Activities	(121,846)	(109,556)	-	(126,991)	(358,393)
Investing Activities	-	<u>19,681</u>	-	<u>67,079</u>	<u>86,760</u>
Net Increase / (Decrease)	2,169	215,256	-	-	217,425
Beginning Cash and Cash Equivalents	-	<u>1,175,507</u>	<u>372</u>	<u>200</u>	<u>1,176,079</u>
Ending Cash and Cash Equivalents	<u>\$ 2,169</u>	<u>\$ 1,390,763</u>	<u>\$ 372</u>	<u>\$ 200</u>	<u>\$ 1,393,504</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

9. Operating Leases

The County leases certain office space and machinery and equipment under cancelable operating leases. Under the terms of the lease agreements, the County's obligation to continue rental obligations is contingent upon the continued appropriation of funds by the County for that purpose. Total rental expenses for the year ended June 30, 2008 were approximately \$625,000.

The following is a schedule of minimum commitments for operating lease payments:

Fiscal Year Ending	Amount
2009	\$ 417,496
2010	165,902
2011	133,856
2012	44,296
2013	8,774
2014-2026	138
Total	\$ 770,462

10. Deferred Compensation Plans

All state and local government employees can participate in a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, administered by the state public employee retirement system through a state approved nongovernmental third party, permits governmental employees to defer a portion of their salary until future years. The deferred compensation is not available to an employee until termination, retirement, death, or unforeseeable emergency. Contributions by employees under the 457 program totaled \$245,814 for the year ended June 30, 2008. There are no employer contributions made by the County to this plan. Participant account balances are not included in these financial statements.

County employees may participate in a 401(k) deferred compensation plan available to state and local governmental employees through the state public employee retirement system. The 401(k) program is administered by a state approved nongovernmental third party. Contributions by employees under the 401(k) program totaled \$864,928 for the year ended June 30, 2008. There are no employer contributions made by the County to this plan. Participant account balances are not included in these financial statements.

11. Retirement Plans

The Governmental Accounting Standards Board (GASB) issued Statement No. 27 entitled Accounting for Pensions by State and Local Government Employees in November 1994. This Statement supersedes the requirements of GASB Statement No. 5. The following information is provided in order to meet the disclosure requirements prescribed in paragraph 20 of GASB 27.

Substantially all full time, permanent County employees are required by law (Title 9 of the S. C. Code of Laws) to participate in statewide, cost sharing multiple-employer defined benefit pension plans administered by the State Retirement System. Generally all employees, with the exception of law enforcement personnel and certain others, participate in the South Carolina Retirement System (SCRS). Law enforcement personnel and certain other employees participate in the South Carolina Police Officers Retirement System (PORS).

Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

11. Retirement Plans – Continued:

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Actuarially established employer contribution rates are as follows:

	<u>Retirement Program</u>				<u>Total</u>
	<u>Normal</u>	<u>Unfunded Accrued Liability</u>	<u>Accidental Death Program</u>	<u>Group Life Insurance Program</u>	
SCRS	5.00%	4.06%	N/A	.15%	9.21%
PORS	8.43%	1.87%	.20%	.20%	10.70%

Contribution rates are developed by the SCRS and PORS using the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percentage of payroll. A market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liabilities that are being amortized by regular annual contributions as a level percent of payroll within a 30-year period, assuming 4.25% annual payroll growth for SCRS and PORS.

All employers contribute at the actuarially required contribution rates.

<u>Contribution Information:</u>	<u>SCRS</u>	<u>PORS</u>
Covered Payroll	\$ 32,207,198	\$ 15,038,476
Employee Contributions	2,062,311	977,500
Employee Contribution Rate (Based upon Salary)	6.50%	6.50%
Employer Contribution Rate; Includes Group	9.06%	10.30%
Life Coverage in both SCRS and PORS and		
Accidental Death Coverage in PORS (Based upon Salary)		

The County's employer contribution to the SCRS for the years ended June 30, 2008, 2007 and 2006 were \$2,966,289, \$2,309,121, and \$1,994,176 respectively, which are equal to the required contributions.

The County's employer contribution to the PORS for the years ended June 30, 2008, 2007 and 2006 were \$1,609,117, \$1,458,815, and \$1,339,817 respectively, which are equal to the required contributions.

Vesting Requirements:

With five years of service, an employee is entitled to a deferred annuity commencing at age 60 under the SCRS and at age 55 under the PORS.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

11. Retirement Plans – Continued:

Retirement Benefits:

Retirement benefits of participants in the SCRS and the PORS are currently determined as follows:

**SCRS** - The maximum monthly retirement allowance at age 65 or 30 years' service is generally determined by the following formula:

- Total 12 highest consecutive quarters of salary (divide by 3).
- Multiply the amount by 1.82%.
- Multiply the results by the total months of creditable service.
- Divide results by 12.

**PORS** - The retirement benefit at age 55 or 25 years' service is generally determined consistent with the aforementioned SCRS formula, except that the average salary is multiplied by 2.14% for Class II members.

Early Retirement- SCRS

<u>Age</u>	<u>Service required</u>	<u>Early Retirement Penalty</u>
at least 60	None	5% for each year of age under 65
55	25	4% for each year of service under 30

Full formula retirement is available with 30 years of service, regardless of age, or age 65.

There are no early retirement provisions under PORS. A member must have 25 years service for full retirement or must be age 55 with 5 years service; both criteria provide for full formula benefit with no reduction.

Employees eligible for service retirement may participate in the Teacher and Retiree Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2006, TERI participants who entered the program before July 1, 2005 do not have to contribute SCRS as long as they are covered under the TERI program.

Disability Retirement

In order to receive Disability Retirement benefits, an employee must have 5 years of credited service unless the injury is job related.

Recipients receive a service retirement benefit based upon continued service to age 65 for SCRS and to age 55 for PORS with no change in compensation.

Accidental Death Program

Under this provision of the PORS, an annuity is provided to the surviving spouse (or the specified beneficiary) of a member whose death was while in performance of duty. The annuity would equal 50% of members' compensation at the time of death.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

11. Retirement Plans – Continued:

Group Life Insurance Benefits

A lump-sum payment equal to one year's salary is payable to the beneficiary upon the death of an active member with at least one year of service. There is no service requirement for death resulting from actual performance of duties. Lump-sum payments of up to \$3,000 (SCRS) or \$4,000 (PORS) are payable to a retiree's beneficiary based upon years of service at retirement.

Withdrawal of Employee Contribution

Accumulated contributions and credited interest payable are paid within 6 months but not less than 90 days after termination of all covered employment.

Post Retirement Increase

Annual increases in retirement benefits are calculated at 4% per year, provided the Consumer Price Index (CPI) for the prior calendar year was 3% or higher. If the CPI is less than 3%, CPI is granted. Increases are approved annually subject to compliance with funding policy.

Statewide Plan Actuarial Information

The South Carolina Retirement Systems do not determine separate measurements of assets and pension benefit obligations for individual employers. An actuarial valuation is performed for the systems annually. No changes in actuarial assumptions or benefit provisions have occurred subsequent to July 1, 1995. The interest rate assumption for actuarial purposes is 7.25%. An assumption of future COLA adjustments was removed (SCRS and PORS) and the method of valuing assets was changed from book value to a smoothed market value.

The Systems use a projected benefit method for actuarial valuation with level percentage entry age, normal cost and open-end unfunded accrued liability. At July 1, 2006, based upon the actuarial method used for funding purposes:

	SCRS	PORS
Unfunded Accrued Liability	\$ 9,725,073,000	\$ 530,440,000
Liquidation Period	30 years	18 years

12. Other Post Employment Benefits(OPEB)

Plan Description

The County provides post-retirement health, life and dental care benefits, as per the requirements of a local ordinance, for certain retirees. Substantially all employees who retire under the State retirements plans are eligible to continue their coverage with the County paying 100% of the premium for those with 28 or more years of service, 75% of the premium for those with 20 years to 27 years of service and 50% of the premium for those with 15 years to 20 years of service. On June 9, 2008, the County closed these benefits to all employees hired after June 9, 2008. As of year-end there were 60 employees who had retired with the County and were receiving health insurance benefits.



BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

12. Other Post Employment Benefits (OPEB) – Continued:

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County. The required contribution is currently based on pay-as-you-go financing requirements. For the year ended June 30, 2008, the County recognized expenditures of \$8,694,422 for current healthcare premiums.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB:

Annual Required Contribution	\$ 3,381,788
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	3,381,788
Contributions Made	-
Increase in Net OPEB Obligation	3,381,788
Net Obligation – Beginning of Year	-
Net Obligation – End of Year	<u>\$ 3,381,788</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2008 fiscal year were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 3,381,788	100.0%	\$ 3,381,788

Funded Status and Funding Progress

As of May 6, 2008, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$34.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$34.2 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$46,695,744, and the ratio of the UAAL to the covered payroll was 73.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

12. Other Post Employment Benefits (OPEB) – Continued:

Funded Status and Funding Progress

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 6, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the blended rate of the expected long-term investment returns on plan assets on the County's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.00% in 2008 decreasing to the ultimate rate of 5.00% in 2014. Also, the actuarial assumptions included a 3.75% annual salary rate increase and 3.75% for an annual inflation rate. The UAAL is being amortized via the level percentage method, which amortizes the UAAL as a constant percent of payroll. The remaining amortization period at June 30, 2008 was 29 years.

13. Accrued Compensated Absences and Other Benefits

Effective February 15, 1993, Beaufort County adopted a new leave policy for all employees. The TOWP/SCA policy was replaced with a policy granting Personal Leave Days and Personal Disability Leave. Under the new policy, employees were entitled to a maximum Personal Leave balance of 280 hours. Upon termination, employees will be paid for all unused, unpaid Personal Leave up to this maximum. The liability recorded at June 30, 2008, to cover unused, unpaid Personal Leave including fringe benefits totaled \$2,763,940. The entire \$ 2,763,940 is considered a long-term liability.

All leave hours accrued in excess of this Personal Leave maximum were accrued to the employee's Personal Disability leave account. A maximum of 360 hours may be maintained in an employee's Personal Disability leave account. The only accrual to this balance occurs when an employee's Personal Leave account exceeds 280 hours, at which time excess hours are "rolled over" to the Personal Disability leave account. Personal Disability leave is to be used in the case of an extended or life threatening illness. This account can only be used once all accrued hours in the Personal Leave account have been used to a balance of 80 hours or less. The employee must present a doctor's statement verifying the disability or illness in order to utilize his/her Personal Disability leave. Employees with remaining SCA leave balances may retain those balances. The same rules governing the use of Personal Disability leave apply to the use of SCA leave. Upon termination of employment with Beaufort County, no payment for any unused SCA or Personal Disability leave will be made.

The County does not provide post employment health care benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

14. Commitments and Contingencies

On November 22, 1991, the County entered into a 20 year lease agreement with the General Services Administration of the U. S. Government (GSA) for the use of the former Beaufort County Courthouse building by GSA as a Federal Courthouse. Under this agreement, the County renovated the building in accordance with GSA specifications at an approximate cost of \$1,933,744. Financing has been arranged for the funding of these costs and the County has assigned all rights and interest in the lease payments from GSA to the lender. The terms and required payments on the lease are the same as the terms and required payments on the loan. After the payment of the loan and the end of the lease term, the asset will remain as property of the County.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

14. Commitments and Contingencies-- Continued:

Arbitrage rules - State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal Government. To retain the bonds' tax exempt status, local governments must comply with the regulations as adopted by the government expend all of the bond proceeds within designated periods which could be up to three years. The County is in compliance with all arbitrage rules.

As of June 30, 2008, the County has outstanding construction contracts of \$26,847,774.

15. Risk Management and Litigation

The County is exposed to various risks of losses related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The County manages risk through employee educational and prevention programs and through the purchase of casualty and liability insurance. All risk management activities are accounted for in the General Fund.

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The County is a party to several lawsuits which seek to recover property taxes paid under protest and to overturn property sold at "tax sales." The County's attorney estimates that the amount of actual or potential claims against the County at June 30, 2008 will not materially affect the financial conditions of the County. Therefore, the General Fund contains no provision for estimated claims.

16. Fund Equity Deficits and Subsequent Events

At June 30, 2008, the 2006B bond projects fund had a deficit balance of \$3,877,798 and the accommodations tax program fund had a deficit balance of \$85,490. However, these individual accounts are offset by a positive fund balance in the general fund.

After June 30, 2008, the County entered into several operating leases. The lease payments are reflected in the schedule of minimum commitments for operating lease payments in Note 9.

During November 2008 through January 2009, the County repurchased \$1,670,000 of its Bluffton TIF bonds on the open market for less than par. It is noted that the debt will not be defeased until 2009, when these bonds are cancelled.

**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

(Date of Delivery)

Beaufort County, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA  
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009  
\$48,755,000

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 dated \_\_\_\_\_, 2009 (the "Notes"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Notes have been authorized and executed by the County and are valid and binding general obligations of the County.

2. The County has power and is obligated to levy and collect annually a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on the Notes as they respectively mature and to create such sinking fund as may be necessary therefor.

3. Interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

4. Under the laws of the State of South Carolina, the Notes and the interest thereon are presently exempt from all taxation in the State, except estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Notes.

The rights of the owners of the Notes and the enforceability of the Notes are limited to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

McNAIR LAW FIRM, P.A.

**APPENDIX C**

**CONTINUING DISCLOSURE UNDERTAKING**

## FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of March 10, 2009, is executed and delivered by Beaufort County, South Carolina (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Chief Financial Officer, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through



nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
(201) 346-0701 (phone)  
(201) 947-0107 (fax)  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)
2. Interactive Data Pricing and Reference Data, Inc.  
Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038  
(212) 771-6999 (phone); 800-689-8466  
(212) 771-7390 (fax)  
<http://www.interactivedate-prd.com>  
Email: [NRMSIR@interactivedate.com](mailto:NRMSIR@interactivedate.com)
3. Bloomberg Municipal Repository  
100 Business Park  
Skillman, NJ 08558  
(609) 279-3225 (phone)  
(609) 279-5962 (fax)  
<http://bloomberg.com/markets/rates/municontacts.html>  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)
4. Standard & Poor’s Securities Evaluations, Inc.  
55 Water Street  
45<sup>th</sup> Floor  
New York, New York 10041  
(212) 438-4595 (phone)  
(212) 438-3975 (fax)  
<http://www.disclosuredirectory.standardandpoors.com/>  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds as listed on Appendix A.

“Repository” means the MSRB, each National Repository and the State Depository (if any).

“State Depository” means any public or private depository or entity designated by the State of South Carolina as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
(313) 963-0420 (phone)  
(313) 963-0943 (fax)  
[jackie@macmi.com](mailto:jackie@macmi.com)
2. Municipal Advisory Council of Texas  
PO Box 2177  
Austin, TX 78768-2177  
(512) 476-6947 (phone)  
(512) 476-6403 (fax)  
[mac@mactexas.com](mailto:mac@mactexas.com)
3. Ohio Municipal Advisory Council  
9321 Ravenna Road, Unit K  
Twinsburg, OH 44087-2445  
(330) 963-7444 (phone)  
(800) 969-OMAC (6622) (phone)  
(330) 963-7553 (fax)  
[sid\\_filing@ohiomac.com](mailto:sid_filing@ohiomac.com)

“Trustee” means the institution identified as such in the document under which the Bonds were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any) not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

- (i) determine the name and address of each Repository each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);
- (iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository or the MSRB and the State Depository (if any) together with a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
  1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);
  2. "Non-Payment related defaults," pursuant to Sections 4(c) and 4(a)(2);
  3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);
  4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);

5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 4(c) and 4(a)(5);
  6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);
  7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);
  8. “Bond calls,” pursuant to Sections 4(c) and 4(a)(8);
  9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);
  10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 4(c) and 4(a)(10);
  11. “Ratings changes,” pursuant to Sections 4(c) and 4(a)(11);
  12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;
  13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.
- (v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: “Security,” “Outstanding Indebtedness,” “Assessed Value of Taxable Property in the County,” “Estimated True Value of All Taxable Property in the County,” “Tax Rates,” “Tax Collections for Last Five Years,” and “Ten Largest Taxpayers.”

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official

statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) \_\_\_\_\_.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable

until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

THE ISSUER AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Issuer.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair

the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New York (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.



The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BEAUFORT COUNTY, SOUTH CAROLINA,  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**  
**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer	Beaufort County, South Carolina
Obligated Person(s)	David Starkey Chief Financial Officer
Name of Bond Issue:	General Obligation Bond Anticipation Notes, Series 2009, \$48,755,000

Date of Issuance:	_____, 2009
Date of Official Statement	February 24, 2009

CUSIP Number: \_\_\_\_\_

**EXHIBIT B**  
**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer	Beaufort County, South Carolina
Obligated Person(s)	David Starkey, Chief Financial Officer
Name of Bond Issue:	General Obligation Bond Anticipation Notes, Series 2009, \$48,755,000
Date of Issuance:	_____, 2009
Date of Official Statement	February 24, 2009

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of March 10, 2009, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Issuer

cc: Issuer  
Obligated Person

**EXHIBIT C**  
**MATERIAL EVENT NOTICE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: \_\_\_\_\_

Issuer's Six-Digit CUSIP Number: \_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_\_

Description of Material Events Notice (Check One):

1.  Principal and interest payment delinquencies
2.  Non-Payment related defaults
3.  Unscheduled draws on debt service reserves reflecting financial difficulties
4.  Unscheduled draws on credit enhancements reflecting financial difficulties
5.  Substitution of credit or liquidity providers, or their failure to perform
6.  Adverse tax opinions or events affecting the tax-exempt status of the security
7.  Modifications to rights of securities holders
8.  Bond calls
9.  Defeasances
10.  Release, substitution, or sale of property securing repayment of the securities
11.  Rating changes
12.  Failure to provide annual financial information as required
13.  Other material event notice (specify)
14. \_\_\_\_\_

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

**OFFICIAL NOTICE OF SALE**

**\$48,755,000**

**BEAUFORT COUNTY, SOUTH CAROLINA  
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009**

**Bid Date: February 24, 2009, 11:00 a.m.**

**NOTICE IS HEREBY GIVEN** that sealed, facsimile and electronic bids for the purchase of all but not part of the above notes (the "Notes") will be received by the Beaufort County Administrator on behalf of Beaufort County, South Carolina (the "County"), in the case of sealed and facsimile bids, at the offices of the County Administrator, 100 Ribaut Road, Room 156, Beaufort, South Carolina, and in the case of electronic bids, via Ipreo (as explained below) until 11:00 a.m. (South Carolina Time) on Tuesday, February 24, 2009.

**BID SUBMISSION:** Sealed and facsimile bids must be submitted on bid forms furnished by the County. Sealed bids shall be enclosed in a sealed envelope marked on the outside "Proposal for the Purchase of Beaufort County, South Carolina, General Obligation Bond Anticipation Notes, Series 2009, \$48,755,000." Bids submitted by facsimile should be preceded by a cover sheet addressed to Gary Kubic, County Administrator and should be sent only once to (843) 470-2592. Electronic proposals must be submitted through i-Deal's Ipreo Electronic Bid Submission System ("Ipreo"). No electronic bids from any other providers of electronic bidding services will be accepted. Information about the electronic bidding services of Ipreo may be obtained from i-Deal, 1359 Broadway, 2nd Floor, New York, New York 10018, Customer Support, telephone (212) 849-5021. The County, McNair Law Firm, P.A. and Ross, Sinclair & Associates, LLC shall not be responsible for any failure, misdirection or error in the means of transmission selected by any bidder.

**GOOD FAITH DEPOSIT:** No good faith deposit is required.

**NOTE DETAILS:** The Notes will be issued initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for DTC. Purchases of beneficial interest in the Notes will be made in book-entry form only, in the denomination of \$100,000 or any integral multiple thereof. The Notes will be dated March 10, 2009, the expected date of delivery, and due on March 10, 2010. Interest, calculated on the basis of a 360-day year of twelve 30-day months, will be payable at maturity on March 10, 2010.

**REDEMPTION PROVISIONS: THE NOTES WILL NOT BE SUBJECT TO REDEMPTION.**

**RATINGS:** Moody's and Standard & Poor's ratings have been applied for.

**INTEREST RATES:** Bidders must specify the fixed rate of interest the Notes shall bear according to the following restrictions: (a) the interest rate may not exceed six percent (6%) and (b) the interest rate specified must be a multiple of 1/100th of one percent.

**BASIS OF AWARD:** The Notes will be awarded to the responsive bidder whose bid results in the lowest **NET INTEREST COST (the "NIC")** to the County. The NIC will be calculated as the total interest from March 10, 2009 to March 10, 2010, minus any premium. If two or more bids provide for the same lowest NIC, the County shall award the bid to the bidder whose bid is in the best interest of the County to be determined by the County in its sole discretion, and such determination shall be final. **ANY BID FOR**

**LESS THAN PAR WILL BE REJECTED.** The County reserves the right to reject any and all bids and to waive informalities in any or all bids.

In order to calculate the yield on the Notes for federal tax law purposes and as a condition precedent to the award of the Notes, the successful bidder will be required to disclose to the County the price (or yield to maturity) at which the Notes will be reoffered to the public.

The Notes will be awarded or all bids will be rejected by no later than 3:00 P.M. (Eastern Time) on the day bids are opened, February 24, 2009.

**SECURITY:** The proceeds derived from the sale of bonds are pledged to the payment of the principal of and interest on the Notes. In addition, the full faith, credit and taxing power of the County are also pledged for the payment of the Notes.

**AUTHORIZATION:** The Notes are being issued pursuant to Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 4, Chapter 15 and Title 11, Chapters 17 and 27, Code of Laws of South Carolina 1976, as amended; the favorable results of a referendum; and Ordinance No. 2008/34 duly enacted by the County Council on September 8, 2008.

**INTEREST AND PRINCIPAL PAYMENTS:** Payment of principal of and interest on the Notes will be made directly by the Registrar/Paying Agent to Cede & Co., as the registered owner of the Notes and nominee for The Depository Trust Company ("DTC"), on March 10, 2010, in immediately available funds.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be set forth on the Notes, but neither the failure to print such numbers on any Note nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with the terms of its proposal. The CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the successful bidder.

**DELIVERY AND PAYMENT:** Delivery of the properly executed Notes is expected to be made through DTC on or about March 10, 2009. Payment for the Notes shall be made in immediately available funds.

**OFFICIAL STATEMENT:** The Preliminary Official Statement has been deemed final by the County for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule. Within seven (7) business days of the bid opening date, the County will deliver the final Official Statement to the successful bidder in sufficient quantity to comply with the Rule.

**FINANCIAL ADVISOR:** Ross, Sinclaire & Associates, LLC has acted as Financial Advisor to the County in connection with the issuance of the Bonds. In this capacity, Ross, Sinclaire & Associates, LLC provided technical assistance in the preparation of the offering documents and assisted the County in preparing for this financing.

**LEGAL OPINION AND CLOSING CERTIFICATES:** The County will furnish upon delivery of the Notes: a Receipt for the Notes; a Signature and No-Litigation Certificate; a Rule 15c2-12 Certificate; a Federal Tax Certificate; and the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, as Bond Counsel, all without cost to the purchaser.

**INFORMATION FROM PURCHASER:** At or before delivery, the purchaser of the Notes shall provide a certificate to the County in a form acceptable to Bond Counsel stating the information necessary to enable the County to determine the issue price of the Notes as defined in Section 1273 or 1274 of the Internal Revenue Code of 1986, as amended.

**ADDITIONAL INFORMATION:** The Preliminary Official Statement, Official Notice of Sale and Official Bid Form of the County with respect to the Notes are available via the internet at <http://www.rsamuni.com> and will be furnished to any person interested in bidding for the Notes upon request to McNair Law Firm, P. A., Post Office Box 11390, Columbia, South Carolina 29211, attention: Francenia B. Heizer, Esquire, telephone (803) 799-9800, e-mail: [fheizer@mcnair.net](mailto:fheizer@mcnair.net). The Preliminary Official Statement shall be reviewed by bidders prior to submitting a bid. Bidders may not rely on this Official Notice of Sale as to the complete information concerning the Notes. For additional information, please contact the County's Financial Advisor, Brian Nurick, Ross, Sinclaire & Associates, LLC, 1219 Assembly Street, Columbia, South Carolina 29201, telephone (800) 255-0795, e-mail: [bnurick@rsamuni.com](mailto:bnurick@rsamuni.com).

February 17, 2009.

**PROPOSAL FOR PURCHASE OF NOTES**  
**\$48,755,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009**  
**OF BEAUFORT COUNTY, SOUTH CAROLINA**

County Council  
Beaufort County, South Carolina

**Bid Date: February 24, 2009; 11:00 a.m.**  
**Bids transmitted by Fax: (843) 470-2592**

For your legally issued, properly executed \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 (the "Notes"), as more fully described in your Official Notice of Sale, which is hereby incorporated herein and made a part of this proposal, we will pay the sum of \$48,755,000 plus a premium of \$\_\_\_\_\_.

The Notes will bear interest at the following fixed rate: \_\_\_\_\_% per annum.

The bidder hereby acknowledges that it has received and reviewed the County's Preliminary Official Statement.

*The following is for information only and is not to be considered a part of this proposal.*

Total interest from March 10, 2009 to Maturity	\$ _____
Premium	\$ _____
Net Interest Cost (NIC)	_____ %

Submitted by:

\_\_\_\_\_  
Name of Bidder

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
City, State Zip  
( )

\_\_\_\_\_  
Telephone Number

By: \_\_\_\_\_

**ACCEPTANCE CLAUSE**

The foregoing proposal accepted this 24th day of February, 2009.

\_\_\_\_\_  
Administrator, Beaufort County, South Carolina



REPORT OF CHIEF FINANCIAL OFFICER  
AS DESIGNEE TO THE COUNTY ADMINISTRATOR  
BEAUFORT COUNTY, SOUTH CAROLINA

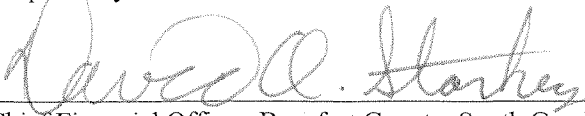
TO: BEAUFORT COUNTY COUNCIL

On February 24, 2009, in accordance with Ordinance No. 2008/34 enacted by the County Council of Beaufort County, South Carolina (the "County") on September 8, 2008, I received nine (9) bids for the purchase of the \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 (the "Bonds") of the School District as follows:

<u>Name of Bidder</u>	<u>Net Interest Cost</u>
J. P. Morgan Securities, Inc.	0.642% with a bid premium of \$540,205.40
Citigroup Global Markets, Inc.	0.697% with a bid premium of \$391,502.65
Banc of America Securities, LLC	0.700% with a bid premium of \$268,152.50
Morgan Stanley & Co., Inc.	0.701% with a bid premium of \$267,664.95
Barclays Capital, Inc.	0.701% with a bid premium of \$389,552.45
Goldman Sachs & Co.	0.732% with a bid premium of \$374,438.40
Wachovia Bank, National Association	0.738% with a bid premium of \$615,288.10
Southwest Securities, Inc.	0.767% with a bid premium of \$601,149.15
Janney Montgomery Scott LLC	0.909% with a bid premium of \$532.00

I accepted the bid of J. P. Morgan Securities, Inc. for the purchase of the Bonds.

Respectfully submitted,

  
\_\_\_\_\_  
Chief Financial Officer, Beaufort County, South Carolina

March 10, 2009

STATE OF SOUTH CAROLINA  
OFFICE OF THE STATE TREASURER  
FILING FOR DEBT ISSUE BY POLITICAL SUBDIVISION

1. Name of Issuer: Beaufort County, South Carolina
2. Issuer Category:
- (a) County
- (b) Municipality
- (c) School District
- (d) Special Purpose District
- (e) Other \_\_\_\_\_
3. Date and Title of Issue:
- March 10, 2009, General Obligation Bond Anticipation Notes, Series 2009, Beaufort County,  
South Carolina
4. Type Obligation:
- (a) General Obligation Bond
- (b) General Obligation BAN, TAN
- (c) Revenue Bond
- (d) Other \_\_\_\_\_
- (Specify - i.e.: capital lease, note, mortgage, loan, etc.)
5. Purpose of Issuance
- (a) Water Utility
- (b) Electric Utility
- (c) Gas Utility
- (d) Industrial Revenue
- (e) Single Family Mortgage Revenue
- (f) Sewer System
- (g) Parks/Recreation
- (h) Streets/Bridges
- (i) Drainage/Flood Control
- (j) Government Facilities
- (k) Other – Specify \_\_\_\_\_
6. Original Principal to be Borrowed: \$48,755,000

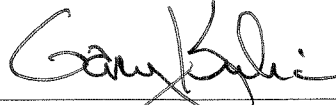
7. Interest Rate:

If more than one rate, give average effective rate 0.642% (NIC)

8. Schedule of Principal Amounts Due and Rates for the above indebtedness (Use Schedule of Principal):

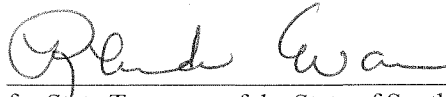
9. Schedule of Principal and Interest Due for the above indebtedness (Use Schedule of Principal and Interest): See attached schedule

Dated: March 10, 2009



\_\_\_\_\_  
Administrator, ~~Beaufort~~ County, South Carolina

RECEIVED this 10<sup>th</sup> day of March, 2009.



\_\_\_\_\_  
for State Treasurer of the State of South Carolina

## Beaufort County, South Carolina

General Obligation Bond Anticipation Notes, Series 2009

FINAL; Sold to JP Morgan Securities on 02.24.09 - Delivery on 03.10.09

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+i
03/10/2009	-	-	-	-
03/10/2010	48,755,000.00	1.750%	853,212.50	49,608,212.50
<b>Total</b>	<b>\$48,755,000.00</b>	<b>-</b>	<b>\$853,212.50</b>	<b>\$49,608,212.50</b>

#### Yield Statistics

Bond Year Dollars	\$48,755.00
Average Life	1.000 Years
Average Coupon	1.7500000%
Net Interest Cost (NIC)	0.6420000%
True Interest Cost (TIC)	0.6339598%
Bond Yield for Arbitrage Purposes	0.5794124%
All Inclusive Cost (AIC)	0.9114263%
<b>IRS Form 8038</b>	
Net Interest Cost	0.5802517%
Weighted Average Maturity	1.000 Years

NEW ISSUE - BOOK-ENTRY-ONLY

*Assuming the County's continued compliance with certain covenants, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Bonds is not an item of tax preference for purposes of an individual's alternative minimum tax. Under the present laws of the State of South Carolina, the Bonds and the interest thereon will be exempt from all South Carolina income taxation except estate or other transfer taxes and certain franchise taxes. Such opinion is subject to certain limitations and conditions described in the Section of this Official Statement entitled "TAX EXEMPTION AND OTHER TAX MATTERS."*

## **\$48,755,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009 BEAUFORT COUNTY, SOUTH CAROLINA**

Dated: March 10, 2009

Due: March 10, 2010

The General Obligation Bond Anticipation Notes, Series 2009 (the "Notes") are issued in anticipation of the issuance of general obligation bonds. The Notes will be general obligation debt of Beaufort County, South Carolina (the "County"), and as such the full faith, credit, resources and taxing power of the County will be irrevocably pledged for the payment thereof. See "THE NOTES-Security" herein.

The Notes will be issued initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for the Depository Trust Company, New York ("DTC"), to which principal and interest payments on the Notes will be made. Individual purchases of Notes will be made in book-entry form only, in the principal amounts of \$5,000 or any integral multiple thereof. So long as Cede & Co., as nominee of DTC, is the registered owner of the Notes, references herein to the holders of the Notes or registered owners of the Notes shall mean Cede & Co. and shall not mean the beneficial owners of the Notes. So long as Cede & Co. is the registered owner of the Notes, the principal and interest on the Notes are payable to Cede & Co. as nominee for DTC, which in turn will remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Notes. See "THE NOTES" – Book-Entry Only System." Wells Fargo Bank, N.A., Atlanta, Georgia, will serve as Registrar/Paying Agent for the Notes.

The Notes will be dated March 10, 2009. Interest will be calculated on the basis of a 30-day month, 360-day year. **The Notes are not subject to redemption prior to their stated maturity as described herein.**

<u>Maturity</u>	<u>CUSIP No.</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
March 10, 2010	074347UA1	\$48,755,000	1.75%	0.58%

The Notes are offered when, as and if issued and subject to the approving opinion as to legality of McNair Law Firm, P.A., Columbia, South Carolina. It is expected that the Notes in definitive form will be available for delivery on or about March 10, 2009.

This cover page contains certain information for quick reference only. It is **not** a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed decision. The County deems the Preliminary Official Statement to be final as of its date for purposes of S.E.C. Rule 15c2-12, except information which may be omitted therefrom pursuant to Rule 15c2-12.

### **J. P. MORGAN SECURITIES, INC.**

Dated: February 24, 2009.

**COUNTY COUNCIL  
OF BEAUFORT COUNTY, SOUTH CAROLINA**

Wm. Weston J. Newton, Chairman

Paul Sommerville, Vice Chairman

Steven Baer

Rick Caporale

Gerald Dawson

Brian E. Flewelling

Herbert N. Glaze

William L. McBride

Stewart H. Rodman

Jerry Stewart

Laura Von Harten

Gary Kubic

County Administrator

David Starkey

Chief Financial Officer

**Bond Counsel**

McNair Law Firm, P.A.  
Beaufort, South Carolina  
Columbia, South Carolina

**Financial Advisor**

Ross, Sinclaire & Associates, LLC  
Columbia, South Carolina

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APPENDIX A - Financial Statements of the County for the Fiscal Year Ended June 30, 2008

APPENDIX B - Form of Legal Opinion

APPENDIX C - Form of Disclosure Dissemination Agent Agreement



## INTRODUCTION

This Official Statement is provided for the purpose of furnishing certain information in connection with the public invitation for bids for the purchase of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 (the "Notes") of Beaufort County, South Carolina (the "County"). This Official Statement has been prepared under the supervision of David Starkey, Chief Financial Officer. The information furnished herein includes a description of the Notes, the County and its indebtedness, tax information, economic data, financial information and other matters. Also included are certain information and data pertaining to the County and the State of South Carolina (the "State").

## THE NOTES

### **Description**

The Notes will be general obligation notes of the County; will be issued initially as a single fully registered note in book-entry only form and when issued will be registered to Cede & Co., as nominee for DTC. Purchases of beneficial interest in the Notes will be made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. The Notes will be dated March 10, 2009, the expected date of delivery, and will mature on March 10, 2010. Interest shall be calculated on a 360-day year, 30-day month basis.

### **Redemption Provisions**

The Notes shall not be subject to redemption prior to maturity.

### **Book-Entry-Only System**

Beneficial ownership interests in the Notes will be available only in book-entry form. Beneficial owners of the Notes ("Beneficial Owners") will not receive physical Notes certificates representing their interests in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, references in this Official Statement to the Holders of the Notes shall mean DTC or its nominee and shall not mean the Beneficial Owners. Unless and until the book-entry only system has been discontinued, the Notes will be available only in book-entry form in principal amounts of \$5,000 or any integral multiple thereof.

THE FOLLOWING DESCRIPTION OF DTC, ITS PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE NOTES TO DTC PARTICIPANTS (AS DEFINED HEREIN) OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE NOTES AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

*Depository Trust Company.* The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the Notes, and will be deposited with DTC.

*DTC Participants and Indirect Participants.* DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated Notes. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

*Beneficial Owners.* Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that the use of the book-entry only system for the Notes is discontinued.

*Transfers and Exchanges.* To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co., or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants; by Direct Participants to Indirect Participants; and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Ordinance. For example, Beneficial

Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

*Notices; Redemption.* Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Notes to be redeemed.

*Consents and Voting.* Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

*Principal and Interest Payments.* Redemption proceeds, distributions and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, the Registrar or the County subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, and disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursements of such payments to Beneficial Owners will be the responsibility of the Direct and Indirect Participants. **THE COUNTY CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.**

DTC may discontinue providing its service as depository for the Notes at any time by giving reasonable notice to the Registrar or the County. Under such circumstances, in the event that a successor depository is not obtained, Notes are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered to DTC.

*The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.*

## **Purposes**

Ordinance No. 2008/34 adopted by the County on September 8, 2008 (the "Ordinance"), provides that the proceeds of the Notes will be used for the purposes of: (i) defraying the costs of: the County Rural and Critical Land Preservation Program by purchasing open land, development rights and conservation easements in all areas of the County; and (ii) paying the costs of issuance of the Notes in anticipation of the issuance of general obligation bonds of the County and the receipt of the proceeds thereof.

## Security

For the payment of the principal and interest on the Notes as they respectively mature and for the creation of such sinking fund as may be necessary therefor, the full faith, credit and taxing power of the County are irrevocably pledged and there shall be levied annually by the County auditor and collected by the County treasurer in the same manner as other County taxes are levied and collected, as tax, without limit, on all taxable property in the County sufficient to pay the principal and interest of the Notes as they respectively mature and to create such sinking fund as may be necessary therefor.

In addition, Article X of the Constitution of the State of South Carolina, 1895, as amended, provides:

If at any time any political subdivision shall fail to effect the punctual payment of the principal of or interest on its general obligation debt, then, in such instance, the State Treasurer shall withhold from such political subdivision sufficient moneys from any state appropriation to which such political subdivision may be entitled and apply so much as shall be necessary to the payment of the principal and interest on the indebtedness of the political subdivision then due.

The following table shows the amount of such State appropriations subject to being withheld under the foregoing provisions of Article X received by the County for the last five fiscal years for which information is available and the amount the County projects to receive in the current fiscal year:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2004	\$5,376,815
2005	5,546,441
2006	5,697,599
2007	6,267,441
2008	6,970,132
2009*	7,200,000

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\*Projected

## Authorization

The Notes will be issued pursuant to and in accordance with the Constitution and laws of the State, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 4, Chapter 15 and Title 11, Chapters 17 and 27, Code of Laws of South Carolina 1976, as amended; the favorable results of a referendum; and the Ordinance duly adopted by County Council.

## Initiative and Referendum

Section 4-9-1220, Code of Laws of the State of South Carolina 1976, as amended (the "Code") provides that within 60 days after the enactment of any ordinance authorizing the issuance of bonds, the repayment of which requires a pledge of the full faith and credit of a county, a petition signed by 15% of the qualified electors of the county may be filed requesting that any such ordinance be repealed. If such ordinance is not repealed, the question of repeal of the ordinance must be submitted to the electors within one year.

A county, under Section 11-27-40 of the Code, may publish a notice in a newspaper of general circulation in the county of the adoption of an ordinance authorizing general obligation bonds. In the event such a notice is published, the above initiative and referendum provisions would not be applicable unless a notice, signed by not less than five qualified electors, of the intention to seed a referendum, were to be filed with the clerk of court of the county and the clerk of the county council within 20 days following such publication.

The Ordinance authorizing the Notes was enacted on September 8, 2008. No notice of intention to seek a referendum within the 60-day period was filed.

### **Defeasance**

The obligations of the County under the Ordinance and the pledges, covenants and agreements of the County therein made or provided for, shall be fully discharged and satisfied as to any portion of the Notes, and such Note or Notes shall no longer be deemed to be outstanding when:

(a) such Note or Notes shall have been purchased by the County and surrendered to the County for cancellation or otherwise surrendered to the County or the Paying Agent and is canceled or subject to cancellation by the County or the Paying Agent; or

(b) payment of the principal of and interest on such Notes either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Paying Agent in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment, or (2) Government Obligations (as defined below) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Paying Agent. At such time as the Notes shall no longer be deemed to be outstanding thereunder, such Notes shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Government Obligations as set forth in (ii) above, shall no longer be secured by or entitled to the benefits of the Ordinance.

“Government Obligations” means any of the following:

(a) non-callable direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America; and

(b) non-callable, U.S. Treasury Securities - State and Local Government Series (“SLGS”).

## **THE COUNTY**

### **General Description**

The County is located in the southeastern corner of the State of South Carolina, known as the “Lowcountry.” With a land area of approximately 637 square miles, it is bordered to the south and east by the Atlantic Ocean, to the west by Jasper County, and to the north by Hampton County and Colleton County. The County stretches nearly 30 miles along the Atlantic Ocean and includes 64 major islands and hundreds of small islands.

## Form of Government

The County operates under the Council-Administrator form of government in accordance with Title 4, Chapter 9 of the Code of Laws of South Carolina, 1976, as amended (the "Home Rule Act"). The County Council consists of 11 members who are elected in each general election from single member districts for four year terms beginning on January 1 of the year of their election. Beginning in 1994, five members are elected in presidential election years and six members are elected in other general election years. The council elects a Chairman at its first meeting in January following the general election. The members of the County Council, their occupations, the districts they represent and the years in which their present terms expire are as follows:

<u>Name</u>	<u>Occupation</u>	<u>District</u>	<u>Term Ends</u>
Wm. Weston J. Newton, Chairman	Attorney	Bluffton/ Daufuskie Island #4	12/2010
Paul Sommerville, Vice Chairman	Management Consultant	Lady's Island/Beaufort #7	12/2010
Steven Baer	Electrical Engineer	Hilton Head #2	12/2010
Rick Caporale	Telecommunications Consultant	Hilton Head Island #1	12/2010
Gerald Dawson	Minister	Sheldon/Dale/Lobeco #6	12/2012
Brian E. Flewelling	Title Abstractor	Burton #9	12/2012
Herbert N. Glaze	Public Educator	Burton #8	12/2012
William L. McBride	Retired Public Educator	St. Helena Island #5	12/2012
Stewart H. Rodman	Businessman	Hilton Head #3	12/2010
Jerry Stewart	Businessman	Sun City #10	12/2010
Laura Von Harten	Marketing/Product Dev.	Beaufort/Port Royal #11	12/2010

In addition to the County Council, the County has six other elected officials who are responsible for the duties specified in the legislation establishing their offices: Auditor, Coroner, Sheriff, Clerk of Court, Probate Judge, and Treasurer.

## County Employees

The County Council appoints a County Administrator who serves at the pleasure of County Council and is responsible for County operations, subject to supervision of County Council. The County Administrator has the responsibility for preparing the County's annual budget for submission to County Council prior to the beginning of each fiscal year. The County Administrator supervises the expenditure of appropriated funds. Changes in the budget in the course of the fiscal year must be approved by County Council. See "**FINANCIAL AND TAX INFORMATION - Budget Procedure.**"

Following are brief resumes of the County Administrator, the Chief Financial Officer, and the Treasurer, who comprise the principal financial officials of the County.

*Gary Kubic, County Administrator.* Mr. Kubic, holds a Juris Doctor degree from the University of Akron School of Law, and a Bachelor of Science degree in Business Administration from Ohio State University. Prior to coming to work for the County, Mr. Kubic was Administrator of Mahoning County, Ohio from 1993 to 2003. Prior to his tenure with Mahoning County, Mr. Kubic served the City of Youngstown for 18 years, including 8 years as Finance Director. He was appointed County Administrator in December 2003.

*David Starkey, Chief Financial Officer.* Mr. Starkey, a graduate of the University of South Carolina and the University of Delaware, obtained his CPA certification in 2005. Prior to coming to work for the County in November 2007, Mr. Starkey was an audit manager at ElliottDavis, LLC. He was appointed to Chief Financial Officer in January 2009.

*Joy Logan, Treasurer.* Ms. Logan was elected and began serving her first term as County Treasurer on January 2, 1991. Previous to serving as Treasurer, Ms. Logan was self-employed as an investment advisor and accountant.

As of June 30, 2008, the County employed 1,209 full-time employees, consisting of:

<u>Department</u>	<u>Full Time</u>
General Government	268
Public Safety	458
Public Works	125
Public Health	27
Public Welfare	122
Culture and Recreation	159
Enterprise Funds	<u>50</u>
Total	1,209

### **Services Provided**

The County provides various local services which are funded primarily from the County's ad valorem tax levy as reflected in its annual budget for the fiscal year ended June 30, 2006; these services include: administrative services; judicial services; law enforcement; public works, community and human services; and other miscellaneous services. The County also collects fees and user charges to offset the cost of providing certain of these services.

### **Services Provided by other Governmental Entities**

The municipalities located within the County (including the City of Beaufort, the Town of Port Royal, the Town of Bluffton, and the Town of Hilton Head Island) also provide many of the services listed above and, in some cases, additional services not provided by the County. In addition, several special purpose districts created by State legislation, some of which have taxing authority, provide certain services with funds from taxes levied and collected on their behalf by the County. Water and sewer services are provided by the Beaufort-Jasper Water and Sewer Authority and municipalities and other public service districts within the County. Fire protection is provided by organized fire districts, public service districts, voluntary fire fighting units and municipal fire departments.

County government does not control these separate bodies. Refuse collection is franchised to private contractors. Household garbage transfer stations are provided at various locations throughout the County.

### **Fringe Benefits, Retirement, and Health Insurance**

The County maintains an employee health insurance plan for all full-time County employees. Premiums are paid to Blue Cross / Blue Shield for health insurance coverage and United Concordia for dental coverage. The employees pay premiums for spouse and/or dependent coverage.

All full-time employees of the County are under the Retirement Plan established by the State of South Carolina for county employees. The plan is funded on a matching basis, using an actuarial method, by the employees and the County. The employees contribute 6.5% of their gross salary. The County's share is 10.3% of the total gross salaries of policemen and 9.06% of the total gross salaries of all other employees. In the opinion of the independent actuary servicing all of the State's pension plans, the plans remain actuarially sound and the sufficiency of the retirement funds to provide benefits called for by the plans may be safely anticipated.

The County provides all employees with worker's compensation insurance through participation in the South Carolina Association of Counties Self-Insurance Trust.

All employees must contribute 7.65% of their gross salaries for Social Security (FICA), consisting of 6.2% for Old Age Survivor Insurance and 1.45% for Medicare, which contributions are matched by the County.

### **Liability Insurance**

Subject to specific immunity set forth in the South Carolina Tort Claims Act (the "Act"), local governments including the County are liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Budget and Control Board, private carriers, self-insurance or pooled self-insurance funds. The County currently maintains liability insurance coverage with the South Carolina Insurance Reserve Fund. In the opinion of the County's Interim Administrator, the amount of liability coverage maintained by the County is sufficient to provide protection against any loss arising under the Act.

### **School District**

The School District of Beaufort County (the "School District") is coextensive with the County. The School District, which was established by State legislation, provides certain services with funds from taxes levied and collected for it by the County. The School District currently operates 16 elementary schools, six middle schools, four senior high schools, one early childhood center, and one career education center.

## **DEBT STRUCTURE**

### **Legal Debt Limit of the County**

Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), provides that counties shall have the power to incur bonded indebtedness in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law. General obligation debt may be incurred only for a public and corporate purpose in an amount not exceeding 8% of the assessed value of all taxable property of such county without the necessity of holding a referendum. General obligation debt authorized by a majority vote of the qualified electors of the County voting in a referendum may be incurred without limitation as to amount. Title 4, Chapter 15 of the Code provides that the governing bodies of the several counties of the State may issue general obligation bonds to defray the cost of any authorized purpose and for any amount not exceeding its applicable constitutional debt limit.



Under Article X, Section 14 of the Constitution, bonded indebtedness of the County existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of the qualified electors of the County voting in a referendum is not considered in determining the County's 8% debt limitation.

The County's debt limitation is computed below:

Assessed Value (tax year 2007)	\$1,660,160,322
	<u>x8%</u>
Constitutional Debt Limit	\$ 132,812,826
Outstanding Debt Subject to Limit	\$ 55,830,000
Legal Debt Limit Without a Referendum	\$ 79,982,826

\$20,000,000 of the Notes will be issued pursuant to a Referendum held in the County on November 7, 2006; the remaining amount of Notes issued (a maximum of \$28,755,000) will count against the County's constitutional debt limit. Simultaneously with the issuance of the Notes, the County intends to issue its \$5,000,000 General Obligation Bonds, Series 2009A (the "2009A Bonds"), which will also count against its constitutional debt limit.

### Outstanding Indebtedness

The following table sets forth the amount of general obligation indebtedness of the County (including special assessment districts) at the end of each of the past five fiscal years:

Year Ended <u>June 30</u>	General Obligation <u>Indebtedness</u>
2004	\$ 86,000,000
2005	106,175,000
2006	100,645,000
2007	141,670,000
2008	177,515,000

### Description of General Obligation Indebtedness by Issue

The following table gives specific information concerning all general obligation issues of the County outstanding as of the date hereof.

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount Outstanding</u>
04-15-2001	4.25%-4.50%	02/01/2010-11	\$ 3,000,000
03-01-2002	4.00%-5.00%	02/01/2010-22	13,475,000
06-15-2003 <sup>1</sup>	2.25%-5.00%	02/01/2010-23	20,850,000
10-15-2004 <sup>2</sup>	3.00%-5.00%	02/01/2010-25	29,600,000
11-02-2006	3.50%-8.00%	03/01/2009-26	16,650,000
11-30-2006 <sup>3</sup>	4.00%-5.00%	03/01/2009-26	29,500,000
10-03-2007 <sup>3</sup>	4.00%-5.00%	03/01/2009-27	25,350,000
11-07-2007 <sup>4</sup>	4.00%-5.00%	02/01/2010-20	<u>17,255,000</u>
Total			\$155,680,000

<sup>1</sup> \$5,850,000 is included in 8% debt limit

<sup>2</sup> \$9,600,000 is included in 8% debt limit

<sup>3</sup> Debt approved by referendum

<sup>4</sup> \$7,255,000 is included in 8% debt limit

### Other Financial Obligations

The County has one outstanding equipment lease. The ten-year contract with Motorola requires payments of \$40,000 per year from 2004 to 2014. The balance as of June 30, 2008 is \$210,091.

### Composite Debt Service

The following table sets forth the debt service requirements for the County's outstanding bonds and the 2009A Bonds.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal and Interest</u> <u>on Outstanding Bonds</u>	<u>Principal and Interest</u> <u>on Bonds</u>	<u>Total Debt</u> <u>Service</u>
2009	\$12,874,979	\$ ---	\$ 12,874,979
2010	13,255,504	311,500	13,567,004
2011	13,460,506	1,960,625	15,421,131
2012	12,243,606	3,090,000	15,333,606
2013	12,632,375	---	12,632,375
2014	12,841,438	---	12,841,438
2015	13,341,231	---	13,341,231
2016	13,488,794	---	13,488,794
2017	13,811,069	---	13,811,069
2018	13,811,238	---	13,811,238
2019	14,320,363	---	14,320,363
2020	14,830,100	---	14,830,100
2021	12,991,325	---	12,991,325
2022	14,510,238	---	14,510,238
2023	14,006,750	---	14,006,750
2024	13,233,875	---	13,233,875
2025	9,927,313	---	9,927,313
2026	6,709,813	---	6,709,813
2027	<u>2,508,000</u>	<u>---</u>	<u>2,508,000</u>
Total:	\$234,798,517	\$5,362,125	\$240,160,642

## General Obligation Debt on a Per-Capita Basis

The following table sets forth the amount of general obligation indebtedness and capital lease obligations of the County for each of the past five fiscal years expressed per capita and as a percent of assessed property value:

Year Ended <u>June 30</u>	General Obligation and		% of Assessed <u>Value</u>
	Lease Purchase <u>Indebtedness</u>	County Debt <u>Per Capita</u> <sup>1</sup>	
2004	\$ 81,285,300	\$ 620.82	8.79%
2005	106,473,150	789.22	6.92
2006	125,914,926	903.70	8.37
2007	141,910,588	988.14	8.97
2008	177,725,091	1,201.48	10.71

<sup>1</sup> Based on estimates of a 2002 population of 124,799 a 2003 population of 128,559, a 2004 population of 130,933, a 2005 population of 134,910, a 2006 population of 139,333, a 2007 population of 143,614, and a 2008 population of 147,922.

Source: County

## Anticipated Capital Needs

The County developed a five-year capital improvements program in coordination with the comprehensive long-range plan adopted by County Council during 1998. This program is reviewed annually to ensure that the projects are prioritized appropriately based on current needs and circumstances.

The County's capital improvement plan is currently under review. The County has completed a Southern Regional Plan and is in the process of completing a Northern Regional Plan. When complete, the County will develop a County-wide capital improvement plan blending the two plans.

## Legal Debt Limit of Incorporated Municipalities and Special Purpose Districts

Under the provisions of Article X, Section 14 of the Constitution, each incorporated municipality and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law (a) incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding eight percent (8%) of the assessed value of all taxable property therein.

## Legal Debt Limit of School Districts

Article X, Section 15 of the Constitution empowers each school district of the State to incur general obligation debt in such manner and upon such terms and conditions as the General Assembly shall prescribe by law. After November 30, 1982, each school district may incur general obligation debt, upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district. Bonded indebtedness existing on November 30, 1982, and bonded indebtedness authorized by a majority vote of the qualified electors of the school district voting in a referendum will not be considered in the computation of the 8% limitation.

## Overlapping Debt

The following table sets forth the total amount of indebtedness in each political subdivision and special purpose district which overlaps the County, either in whole or in part which was outstanding as of June 30, 2008.

<u>Political Subdivision</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to County</u>
Beaufort County School District	\$292,895,000	100%
<u>Municipalities</u>		
City of Beaufort		100%
Town of Hilton Head	70,585,000	100%
Town of Port Royal	738,118	100%
Town of Bluffton	14,509,079	100%
<u>Special Purpose Districts</u>		
Broad Creek PSD	6,435,000	100%
Fripp Island PSD	5,451,440	100%
Hilton Head #1 PSD	51,675,750	100%
South Beach PSD	4,520,000	100%
<u>Special Tax/Fire District<sup>1</sup></u>		
Bluffton Fire	1,688,191	100%
Burton Fire		100%
Daufuskie Island Fire	51,120	100%
Lady Island/St. Helena Fire	1,740,522	100%
Sheldon Fire District	509,222	100%

<sup>1</sup> Issued by County, but not includable against 8% debt limit

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2008

## Miscellaneous Debt Information

The County has not defaulted in the payment of principal or interest, or in any other material respect, with respect to any of its securities at any time within the last 25 years, nor has the County within such time issued any refunding bonds for the purpose of preventing a default in the payment of principal or interest on any of its securities then outstanding. The County has not used the proceeds of any bonds or other securities (other than tax anticipation Bonds) for current operating expenses at any time within the last 25 years.

## CERTAIN FISCAL MATTERS

### Property Assessment Rates

Article X of the South Carolina Constitution mandates that the assessment of all property, both real and personal, shall be equal and uniform and that the following ratios shall apply in the appropriate classifications of property:

- (1) Real and Personal Property of Manufacturers and Utilities -- 10.5% of fair market value;
- (2) Transportation Companies for Hire (railroads and pipelines) -- 9.5% of fair market value;
- (3) Inventories of Business Establishments -- 6% of fair market value;<sup>(1)</sup>
- (4) Legal Residence and not more than five contiguous acres -- 4% of fair market value;
- (5) Agricultural property used for such purposes owned by individuals and certain small corporations -- 4% of use value (if the property owner makes proper application and qualifies);
- (6) Agricultural and timberlands belonging to large corporations (more than 10 shareholders) -- 6% of use value; (if the property owner annually makes proper application and qualifies);
- (7) All other real property -- 6% of fair market value; and
- (8) Motor Vehicles -- 6%; and
- (9) All other personal property -- 10.5% of fair market value.

<sup>(1)</sup> The business inventory tax provided for by Section 12-37-1420, Code of Laws of South Carolina, 1976, as amended, has been phased out by a 1984 amendment thereto, Act No. 512, Part II, Section 16(3), page 3036 of the 1984 Acts of the General Assembly of the State of South Carolina. The amendment also provides that the exemption is conditioned on the appropriation by the State to the counties, school districts and municipalities for each year an amount equal to the tax revenue not collected by reason of the exemption. The amendment further provides that the business inventory exempted from property taxation shall nevertheless be considered taxable property for purposes of bonded indebtedness pursuant to Sections 14 and 15 of Article X of the South Carolina Constitution and for purposes of computing the "index of taxpaying ability" pursuant to item (3) of Section 3 of Act No. 163 of 1977 (South Carolina Education Finance Act). Pursuant to Act No. 540 of 1986, page 4875 of the Acts of the General Assembly of the State of South Carolina, the aforementioned appropriation by the State was set at a constant level based upon the amount of the appropriation to each political subdivision in 1987.

In South Carolina, local taxes for counties, schools and special purpose districts are levied as a single tax bill which each taxpayer must pay in full. Taxes are levied by the Auditors of the various counties. In the County, current and delinquent tax collections are made through the office of the County Treasurer. Tax bills are mailed from the County Treasurer's office on September 30 or as soon thereafter as is practicable. Real and personal property taxes (except taxes on motor vehicles) are payable on a monthly basis and are payable on or before January 15 without penalty. A penalty of 3% is added on January 16th, an additional penalty of 7% is added on February 2nd and an additional penalty of 5% is added on March 17th, at which time the office of the County Treasurer issues orders of execution on all unpaid accounts. The County Sheriff is authorized to seize by appropriate means the personal property of a defaulting taxpayer. Thereafter, such property may be sold to satisfy unpaid personal property taxes. Delinquent taxes on real property may be collected through sale of the property by the County.

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. The County is completed a reassessment in Fiscal Year 2008 which will be implemented in Fiscal Year 2009. Regulations adopted by the DOR prior to the 1995 law and which are still in place also require that a

reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value.

The Comptroller General of the State may extend the time for assessment and collection of taxes by county officials. Unpaid taxes, both real and personal, constitute a first lien against the property taxed.

The County Assessor appraises and assesses all the real property and mobile homes located within such county and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the counties in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and also of business equipment.

Each year the DOR certifies its assessments to the County Auditors each of whom prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection. South Carolina has no statewide property tax.

### **State Tax Reform**

On June 1, 2006, the South Carolina General Assembly adopted House Bill 4449 which became Act 388 (“Act 388”), which provides, among other things, a new mechanism for the funding of a portion of school operations and a limitation on annual growth in millage levied by political subdivisions and school districts for operations.

#### *Sales Tax Imposition; Exemption of Owner-Occupied Property from School Operating Taxes.*

Pursuant to Act 388, an additional one percent sales tax will be imposed State-wide beginning on June 1, 2007. The additional tax does not apply to certain items, including certain accommodations (e.g., hotels, motels, campgrounds and the like), items taxed at a defined maximum tax (e.g., automobiles, taxed at a maximum of \$300, regardless of sales price), and unprepared food (upon which the 5% tax was reduced to 3% on October 1, 2006, and then eliminated on November 1, 2007). Receipts from the new one percent sales tax must be credited to the “Homestead Exemption Fund” created pursuant to Act 388.

Effective beginning with tax year 2007, all owner-occupied real property in the State will be exempted from ad valorem real property taxes levied for school district operations (the “New Homestead Exemption”). Proceeds of the sales tax deposited in the Homestead Exemption Fund will be distributed to all school districts of the State in substitution for the ad valorem real property taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event shall the amount of sales taxes distributed to the school district or districts within any county be less than \$2,500,000 in the aggregate.

As described above, the New Homestead Exemption is for owner-occupied real property. Commercial property and other nonowner-occupied residences will continue to be subject to ad valorem real property taxes, including for school district operations. See “—*Local Option Sales Tax for Additional Tax Relief.*”

Act 388 provides that reimbursement in Fiscal Year 2007-08 for amounts not collected by reason of the New Homestead Exemption shall be equal to the amount estimated to be otherwise collected in Fiscal Year 2007-08 by the school district from school operating millage imposed on owner-occupied residential property therein. Beginning in Fiscal Year 2008-09 and continuing each year thereafter, the

aggregate reimbursement to the school districts of the State will increase by an amount equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. The aggregate amount of the reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district's weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the State's "Education Finance Act."

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys as described in the preceding paragraphs must be distributed to the 46 counties of the State, proportionately based upon population, and applied as a credit against ad valorem real property taxes levied against, first, owner-occupied real property, and, thereafter, to all other classes of taxable property, for county operating purposes.

To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts of the State as described above, the difference must be paid from the State's general fund. Enforcement of the requirement described in the preceding sentence is not self-executing, and will in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly.

#### *Limitation on Millage Increases*

Act 388 also imposes a limitation on increases in millage levied for operational purposes by all political subdivisions and school districts. As of July 1, 2007, annual millage levies may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district, as the case may be. This limitation does not apply to millage that is levied to pay bonded indebtedness. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision or school district, as applicable, but only for the following purposes and only in a year in which such condition exists:

- (1) a deficiency of the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
- (3) compliance with a court order or decree;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the proceeding year; or
- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.

#### *Local Option Sales Tax for Additional Tax Relief*

Act 388 further authorizes the imposition within a county, subject to approval by referendum, of a local sales tax to provide additional property tax relief. The local sales tax authorized by Act 388 may only be imposed to the extent necessary to provide a 100% credit to all classes of taxable property against

(a) county operating taxes, (b) school operating taxes, or (c) both, as set forth on the referendum ballot. In no event, however, may the rate of such local sales tax exceed one percent. Act 388 also provides a procedure for rescinding this local sales tax, as well as any other local sales taxes in force as of June 1, 2006. No assurance can be given that the County will not conduct such a referendum, or that such a local option sales tax will not be implemented within the County.

Act 388 further provides that if a county has enacted a tax increment financing redevelopment plan, or other financing plan that relies upon property tax for its funding to retire indebtedness or pay for project costs, the rate of the local option sales tax must be set in an amount that considers the full funding for the project or retirement of indebtedness, which includes compliance with any covenants in the governing documents authorizing the indebtedness. The revenues of such tax attributable to the funding replacement for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the Code of Laws of South Carolina 1976, as amended.

#### *Reassessment Valuations Limited*

Act 388 also provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale of any parcel of real property or other "assessable transfer of interest" including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value. The limitations on reassessment described in this paragraph were approved in a State-wide referendum held on November 7, 2006.

#### **Homestead Exemptions -- Property Tax Relief**

South Carolina provides, among other exemptions, two exemptions for homesteads. The first is a general exemption from all ad valorem property taxes and applies to the first \$50,000 of the fair market value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled or legally blind (the "Homestead Exemption"). In the case of the Homestead Exemption, the State reimburses each taxing entity the amount to which it is entitled to by April 15 of each year from the State's general fund. The County received \$926,764 in the 2007-08 Fiscal Year and projects to receive \$1,030,000 in the 2008-09 Fiscal Year. The second exemption (the "Property Tax Relief Exemption"), which was replaced as of July 1, 2007 with a more extensive exemption pursuant to Act 388, applies only to ad valorem taxes levied for school operating budgets (exclusive of amounts in those budgets for the payment of lease-purchase agreements for capital construction) (the "School Taxes") and has no effect on county and municipal taxes.

#### **Payments in Lieu of Taxes**

An industrial project which involves an initial investment of at least \$5,000,000, and is owned by a county (or counties) and leased to the industrial user of such project may provide in the lease agreement between the parties for a fee in lieu of taxes with respect to such project, provided that this lease agreement provides for:

- (1) Before the property is placed in service, a payment equal to the taxes that would otherwise be due on the undeveloped property had it remained taxable;
- (2) After the property is placed in service, an annual payment for not more than twenty years determined in accordance with one of several formulas, all of which calculations must be made on the



basis that the property, if taxable, is allowed all applicable ad valorem tax exemptions except certain exemptions allowed to manufacturers.

(3) At the conclusion of the payments determined pursuant to items (1) and (2), an annual payment equal to the taxes due on the project as if it were taxable.

(4) Gross revenues of a school district in which a project is located in any year such fee is paid may not be less than gross revenues of the district in the year before the first year for which such fee is paid. In negotiating the fee, the parties shall assume that the formulas for the distribution of State aid at the time of the execution of the agreement will remain unchanged for the duration of the agreement.

Distribution of the payment in lieu of taxes on the project must be made in the same manner and proportion that the millage levied for school and other purposes would be distributed if the property were taxable. Millage rates must be determined for school and other purposes as if the property were taxable. Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits, and for purposes of computing the index of taxpaying ability pursuant to the South Carolina Education Financing Act. From the date of execution of the agreement the lessee of the project has not more than five years in which to meet the required minimum investment level required. If this requirement is not timely met, all property financed under the lease agreement reverts retroactively to the tax treatment otherwise applicable to such property.

**Assessed Value of Taxable Property in the County**

The assessed value of all taxable real and personal property (non-industrial property) and the assessed value of all real and personal industrial property in the County for each of the last five tax years are set forth below. The growth in resort and residential communities has been the principal factor in the increase in assessed valuation in the County over the period.

Tax Year	<u>Real</u>		<u>Personal</u>		<u>Total</u>	
	<u>Assessed</u>	<u>True</u>	<u>Assessed</u>	<u>True</u>	<u>Assessed</u>	<u>True</u>
2003	\$ 740,613,636	\$15,649,673,497	\$184,242,061	\$1,897,765,656	\$ 924,855,697	\$17,547,438,153
2004 <sup>1</sup>	1,354,125,807	27,588,978,918	184,286,675	1,911,616,663	1,538,412,482	29,500,595,581
2005	1,342,243,568	27,504,991,147	162,980,756	2,029,648,269	1,505,224,324	29,435,639,416
2006	1,397,740,562	31,569,997,800	184,669,523	2,419,677,833	1,582,410,085	33,989,675,633
2007	1,452,621,579	32,753,008,310	207,538,743	2,626,086,500	1,660,160,322	35,379,094,810

<sup>1</sup> Reassessment. Effective for the calendar year 2004, the County reassessed all real property located within the County. This was the first reassessment in six years. This reassessment resulted in an 83% increase in the amount of the assessed value for real property within the County. The adjustments resulting from appeals of the reassessed values are reflected in the 2005 and 2006 values.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2008

**Estimated True Value of All Taxable Property in the County**

The estimated true value of all taxable property in the County for Tax Year 2007 is \$31,537,913,733.

<u>Classification of Property</u>	<u>Tax Year 2007 Assessed Value</u>	<u>Tax Year 2007 Estimated True Value</u>
1. Real Property (non-manufacturing) and Mobile Homes	\$1,496,222,741.00	\$28,978,905,592.00
2. Motor Vehicles	91,447,129.00	1,524,118,817.00
3. Public Utilities	35,059,355.00	333,898,619.00
4. Manufacturing Property (Real and Personal)	2,672,730.00	25,454,571.00
5. Marine Equipment/Boats	10,255,687.00	97,673,210.00
6. Business Personal Property	58,966,952.00	561,590,019.00
7. Railroads	1,708,655.00	16,272,905.00
8. Fee in Lieu Property	-0-	-0-
<b>TOTAL</b>	<b>\$1,696,333,249.00*</b>	<b>\$31,537,913,733.00</b>

\*This figure does not include the following:

- (1) Manufacturers reimbursement assessed value
- (2) Business Personal Property Lock-In assessed value
- (3) Motor Carrier reimbursement assessed value

Source: County Auditor

**Exempt Manufacturing Property in the County**

Article X, Section 3 of the Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may by ordinance grant a similar exemption to manufacturing establishments. Presently there is no exempt manufacturing property located in the County.

**Tax Rates**

The millage assessed for County operations and debt service in each of the last five fiscal years is set forth below:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operations	40.1	42.9	32.7	33.7	37.7
Debt Service	7.2	7.2	5.4	5.4	5.4
Real Property Program	2.0	2.0	1.5	1.5	2.5
Solid Waste/Recycling	4.7	5.9	4.5	4.5	N/A
<b>Total</b>	<b>54.0</b>	<b>58.0</b>	<b>44.1</b>	<b>45.1</b>	<b>45.6</b>

Source: County Auditor

## Tax Collection Procedure

In the County, taxes are collected for County and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar year basis. Real and personal property taxes in the County are payable on or before January 15 of each year for the prior tax year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. If real property taxes are not paid on or before January 15, a penalty of 3% is added; if not paid by February 1, an additional penalty of 7% is added; if not paid on or before March 17, an additional penalty of 5% is added and taxes go into execution. Unpaid taxes, both real and personal, constitute a first lien against the property. The County Treasurer is empowered to seize and sell so much of the defaulting taxpayer's estate -- real and personal or both -- as may be sufficient to satisfy the taxes.

Act 388 permits counties to allow real property taxpayers to elect to pay their taxes in six installments each year for tax years beginning after 2006.

## Tax Collections for Last Five Years

The following table shows operational, general fund, debt service fund, real property program and solid waste/recycling fund taxes levied (adjusted to include additions, abatements, and nulla bonae) for the County, taxes collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes (which taxes include taxes levied in prior years but collected in the year shown) and the percentage of taxes collected for the last five fiscal years.

Fiscal <u>Year</u>	Adjusted <u>Tax Levy</u>	Current Taxes <u>Collected</u>	Current Percentage <u>Collected</u>	Delinquent Taxes <u>Collected</u>	Total Percentage <u>Collected</u>
2004	\$53,641,630	\$50,203,062	93.6%	\$4,251,126	101.5%
2005	63,554,010	60,416,187	95.1	3,438,851	100.5
2006	66,885,604	62,744,316	93.8	3,426,155	98.9
2007	70,512,827	66,902,823	93.4	3,631,521	98.5
2008	76,299,793	73,235,825	94.1	3,079,627	98.0

Source: County Treasurer

## Ten Largest Taxpayers

The 10 largest taxpayers in the County, the assessed value of each, and the amount and the percentage of 2007 tax year taxes paid by each to the County Treasurer for all County, municipal and other taxes collected by the County Treasurer, are shown below.

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Taxes Paid</u>	<u>Percentage of Total Taxes Levied</u>
Marriott Resort	\$18,718,480	\$ 3,550,827	4.7%
South Carolina Electric & Gas	14,331,614	3,169,518	4.2
Palmetto Electric	8,768,002	1,798,248	2.4
May River Forest LLC	4,502,402	1,102,381	1.4
Columbia Properties Hilton Head	3,939,414	817,776	1.1
Hargray Telephone Company	4,096,782	817,238	1.1
SCG Hilton Head Property	3,692,358	740,978	1.0
Sea Pines Resort LLC	3,165,271	631,732	0.8
Greenwood Development Corp	3,160,148	631,718	0.8
United Telephone Company	<u>1,744,630</u>	<u>407,794</u>	<u>0.5</u>
Total	\$66,119,101	\$13,668,210	17.9%

Source: County Treasurer and County Comprehensive Annual Financial Report, 2008.

## Vehicle License Fees

The County has imposed a vehicle license fee since January 1, 1994. Collections of the fee for the past five fiscal years and an estimate for the current fiscal year are as follows:

<u>Fiscal Year</u>	<u>Collections</u>
2004	\$1,040,711
2005	1,110,061
2006	1,179,920
2007	1,213,910
2008	1,320,930
2009*	1,350,000

\*Estimate.

Source: County.

## County Investment Policy

Pursuant to Section 6-5-10 of the Code of Laws of South Carolina, 1976, as amended, the County Treasurer may invest money subject to his control and jurisdiction in the following types of investments:

- (1) Obligations of the United States and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;
- (4) Certificates of deposit where the certificates are insured by an agency of the federal government or, if not so insured, are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a

market value not less than the amount of the certificates of deposit so secured, including interest;

- (5) Repurchase agreements when collateralized by securities as set forth in Section 6-5-10; and
- (6) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5) above, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

In addition to these investments, the State has established a South Carolina Pooled Investment Fund into which any county treasurer may deposit public moneys in excess of current needs. The State Treasurer may invest the moneys of the fund in the same types of investments provided for in Section 6-5-10 above (as well as those permitted in Sections 11-9-660 and 11-9-661) and then may sell to all political subdivisions of the State participation units in the fund which shall be legal investments for the subdivisions in addition to the investments and deposits authorized in the sections detailed herein.

## FINANCIAL AND TAX INFORMATION

### Five Year Summary of General Fund Operations

The following table sets forth a summary of the County's General Fund operations for the fiscal years ended June 30, 2004, through 2008.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>					
Property Taxes	\$39,902,961	\$47,419,184	\$49,557,808	\$55,872,654	\$60,474,820
Licenses and Permits	2,618,619	3,393,994	4,635,798	4,879,471	3,894,583
Intergovernmental	6,018,623	6,073,748	6,402,451	7,813,256	8,649,634
Charges for Services	9,795,154	12,179,930	13,256,653	11,643,392	10,568,767
Fines and Forfeitures	1,023,973	882,229	872,216	1,150,081	1,029,600
Interest	113,045	64,028	966,561	1,336,688	1,015,196
Miscellaneous	<u>238,122</u>	<u>311,610</u>	<u>418,423</u>	<u>1,561,330</u>	<u>565,823</u>
Total Revenues	\$59,710,497	\$70,324,723	\$76,109,910	\$84,256,872	\$86,198,423
<b>Expenditures</b>					
General Government	\$14,573,990	\$15,616,654	\$17,145,467	\$18,956,722	\$20,963,806
Public Safety	26,905,522	29,301,879	31,551,018	35,583,070	38,617,353
Public Works	7,313,102	7,897,503	8,159,421	15,434,287	15,946,656
Public Health	2,168,726	2,172,343	2,490,990	2,731,723	2,975,284
Public Welfare	709,052	717,165	729,436	867,699	931,321
Culture and Recreation	<u>3,148,082</u>	<u>6,702,500</u>	<u>7,302,362</u>	<u>7,938,119</u>	<u>8,658,731</u>
Total Expenditures	\$54,818,474	\$62,408,044	\$67,378,694	\$81,511,620	\$88,093,151
Excess Revenues Over (Under) Expenditures	\$ 4,892,023	\$ 7,916,679	\$ 8,731,216	2,745,252	(1,894,728)
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	47,265	62,458	1,219,512	455,547	2,251,087
Operating Transfers Out <sup>1</sup>	<u>(3,837,216)</u>	<u>(1,334,387)</u>	<u>(1,378,585)</u>	<u>(1,848,341)</u>	<u>(2,241,888)</u>
Total Other Financing Sources (Uses)	\$(3,789,951)	\$(1,271,929)	\$ (159,073)	\$(1,392,794)	\$ 9,199
Net Change in Fund Balance	1,102,072	6,644,750	8,572,143	1,352,458	(1,885,529)
Prior Period Adjustment	---	---	---	(77,431)	---
Fund Balances July 1	<u>\$ 4,048,528</u>	<u>\$ 5,150,600</u>	<u>\$11,795,350</u>	<u>\$20,367,493</u>	<u>\$21,642,520</u>
Fund Balance June 30	<u>\$ 5,150,600</u>	<u>\$11,795,350</u>	<u>\$20,367,493</u>	<u>\$21,642,520</u>	<u>\$19,756,991</u>

Source: Audited financial statements provided by the County.

<sup>1</sup> General operating funds that are transferred to special funds thereby restricting their uses.

Note: The County projects a fund balance of \$18,199,750 as of June 30, 2009.

## **Financial Statements**

The financial statements of the County for years ended June 30, 2005, 2006, 2007, and 2008 have been audited by Elliott Davis, LLC. The financial statements of the County for year ended June 30, 2004, have been audited by Robinson Grant & Co., P.A. A portion of the audited financial statements of the County for the year ended June 30, 2008, is attached to this Preliminary Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2008, and prior years are available for inspection at the County offices.

## **Budget Procedure**

The Constitution provides that each county shall prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. Whenever ordinary expenses of a county for any year shall exceed the income, the governing body of the county is required to provide for levying a tax in the ensuing year sufficient, with all other sources of income, to pay the deficiency in the preceding year, together with the estimated expenses for the ensuing year. These requirements generally have been interpreted so as to allow for payment of expenses from funds on hand or transfers, to the extent such funds are available for such purposes.

The Home Rule Act provides that the fiscal year for county governments begins on July 1 of each year and ends on June 30 of the following year. The County Council is required to adopt annually, prior to the beginning of each fiscal year, operating and capital budgets for the operation of county government. The budgets must identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budgets adopted.

In the County, the County Administrator is responsible for submitting prior to June 1, a proposed operating and capital budget for the fiscal year commencing July 1. The Council shall provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources. After County Council legally enacts operating and capital budgets through passage of an ordinance, the County Administrator, or his designee, is authorized to transfer funds among operating accounts or among capital accounts within a department. The County may make supplemental appropriations which shall specify the source of funds for such appropriations. A supplemental appropriation is defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget.

## General Fund Budget for the 2008-2009 Fiscal Year

The following is a summary of the General Fund Budget of the County for the fiscal year ending June 30, 2009.

	<u>FY 2009 Budget</u>
<u>Revenues</u>	
Property Taxes	\$ 76,643,504
Licenses and Permits	4,164,073
Intergovernmental	8,895,480
Charges for Services	11,718,496
Fines and Forfeitures	894,475
Interest	922,746
Miscellaneous	<u>456,600</u>
Total Revenues	\$103,695,374
 <u>Expenditures</u>	
General Government	\$ 23,985,642
Public Safety	41,870,795
Public Works	16,960,038
Public Health	5,297,121
Public Welfare	1,014,675
Cultural and Recreation	<u>13,905,100</u>
Total Expenditures	\$103,033,371

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Location and History

The County is located in the southeastern part of the State and is part of the four-county "Lowcountry" area of South Carolina. The County is bordered on the east by the Atlantic Ocean, on the north by Colleton County, and on the west by Hampton and Jasper Counties. It includes more than 60 small islands designated as "sea islands," the largest of which are connected by highway bridges.

The County was formed in 1769, and currently has a land area of 587 square miles. The County is one of the fastest growing in South Carolina, with an estimated 2007 population of 147,316. The County seat is the City of Beaufort (2007 estimated population 11,868). Since the 1600's, agriculture has played an important role in the economy of the Lowcountry. Currently, however, the Lowcountry generally and the County, specifically, although farming and timber are still present, have significantly diversified their economic base.

### Commerce and Development

The County is a center for tourism, retirement and the associated services, and the military in South Carolina. Hilton Head Island, Fripp Island and Hunting Island are all located in the County and are examples of the economic boom in the leisure and resort industries. Interstate Highway I-95, a major north-south artery from Maine to Florida, runs just a few miles from the County and has helped the tourist industry significantly. A four-lane spur through the County connects I-95 with U.S. 278 to Hilton Head Island, also part of the County.



Major residential developments in Southern Beaufort County include Sun City Hilton Head, a 5,000-acre community with more than 4,000 homes and about 8,000 residents within the County. The Beaufort County portion of the community is built out. The community will expand into a neighboring county in order to more than double its current number of homes. Additional developments in the southern part of the County include Spring Island, Callawassie Island, Colleton River Plantation, Belfair and Westbury Park. Sun City Hilton Head, a Del Webb / Pulte Homes senior community, has a significant economic impact. It has created more than 1,000 permanent jobs, will increase the County's tax base by 25 percent over the next five years, and was the spark for the increased commercial construction along the U.S. 278 Corridor, including a Target store, Wal-Mart Superstore, Home Depot and several major supermarkets. In northern Beaufort County, communities continue to develop at Lady's Island, Cat Island, Dataw Island, Habersham, Bray's Island and throughout the City of Beaufort.

CareCore National, LLC constructed a new headquarter facility in the Town of Bluffton in 2007/2008 which created 190 new jobs in 2007 and 125 new jobs in 2008. The total expected for new employment is 350.

The Port of Port Royal, the former break-bulk cargo port of the South Carolina State Ports Authority, is located in the County. The State is currently seeking to sell the 51 acres formerly occupied by the port at the waterfront edge of downtown Port Royal, preferably at a price of \$26 million to \$27 million, to a developer who would transform the property into a mixed-use commercial and residential development.

The U.S. Marine Corps Recruit Depot at Parris Island, the Marine Corps Air Station-Beaufort, and the Beaufort Naval Hospital are all located within the County. These locations have benefited by the Department of Defense closing certain other military bases in the nation. In 2007, there were 6,988 active military and 926 civilians working for the Department of Defense at the Recruit Depot alone.

University of South Carolina – Beaufort (“USCB”), the Lowcountry's regional senior campus of the University of South Carolina, is located in the County. In 2006, USCB's Small Business Development Center, a free consulting service for entrepreneurial start-ups, helped 14 new businesses get started, helped save or create 70 local jobs and provided \$4.76 million in business loans.

### **Agriculture and Forestry**

Only 12 percent of the County's land is used for agriculture. In 2007, the County ranked last in the State in production of hay. Preliminary cash receipts for crop and livestock production in the County in 2007, the latest year for which information is available, amounted to \$7,099,000, including crops at \$5,553,000 and livestock and livestock products at \$1,546,000, according to the Department of Applied Economics & Statistics at Clemson University and the South Carolina Agricultural Statistics Service.

Twenty-nine percent of the County's land is forested, and the County ranks 13th among the State's 46 counties in delivered value of timber. The delivered value of harvested timber sold in 2005, the latest year for which information is available, was \$24,464,553.

### **Population Growth**

The U.S. Department of Commerce, Bureau of the Census, reports that the 2000 census population of the County was 120,937. This represents a 40% increase in population over the 1990 census figure of 86,425.

The following table illustrates the population growth of the County. Population statistics for the State and the United States are included for comparison purposes.

<u>Year</u>	<u>Beaufort County</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1970	51,136	-	2,590,516	-	203,302,031	-
1980	65,364	28%	3,121,820	21%	226,545,805	11%
1990	86,425	32	3,486,703	12	248,709,873	10
2000	120,937	40	4,012,012	15	281,421,906	13
2007*	147,316	22	4,407,709	10	301,621,157	7

\*Estimated

Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

The 2000 Census populations and 2007 population estimates of the incorporated municipalities located in the County are set forth in the table below.

<u>Municipality</u>	<u>2000 Census</u>	<u>2007 Estimate</u>
Town of Hilton Head Island	33,862	33,994
City of Beaufort	12,950	11,868
Town of Port Royal*	3,950*	10,212*
Town of Bluffton	1,275	4,054

\*A portion of Port Royal's growth between the 2000 census and the 2007 estimate is due to annexation.

Source: U.S. Department of Commerce, Bureau of the Census, Population Division.

### **Per Capita Personal Income**

The County ranked first in the State in per capita personal income in 2006, the last year for which data is available. The per capita personal income in the County, the State and the United States for each of the last five years for which information is available is shown below.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2002	\$33,956	\$25,370	\$30,795
2003	34,832	25,880	31,466
2004	37,474	27,039	33,090
2005	40,005	28,460	34,471
2006	41,724	29,767	36,276

Source: U.S. Department of Commerce, Bureau of Economic Analysis

### Median Family Income

The County had a median family income of \$63,000 for 2006 (the latest estimate available). This income level ranks the County as the second highest in the State. The table below shows the median family income for the County, State and the United States for the last five years:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2002	\$58,800	\$49,200	\$54,400
2003	62,000	52,400	56,500
2004	62,000	52,400	57,500
2005	62,150	52,400	58,000
2006	63,000	52,900	59,600

Source: U.S. Department of Housing and Urban Development

### Median Age and Education Levels

The U.S. Bureau of the Census reports that the median age of the population of the County was 35.8 in 2000, up from 30.5 in 1990. According to the U.S. Bureau of the Census, in 2000 (the last year for which complete statistics are available) the County ranks second in the State with 33.2% of its population 25 years or older holding a bachelor's degree or equivalent.

### Construction Activity

The following table shows the approximate number of building permits issued in the County and the approximate cost of construction represented by those permits in each of the last five complete years for which information is available. New construction has, of course, been affected by general economic conditions in the United States affecting real estate activity.

<u>Year Ended</u>	<u>Number of</u>	<u>Residential</u>
<u>December 31</u>	<u>Units</u>	<u>Construction</u>
		<u>Costs</u>
2004	2,942	\$ 613,341,112
2005	4,650	1,000,991,167
2006	3,448	890,986,323
2007	2,224	530,146,319
2008	1,326	185,428,771

Source: County Building Inspector

## Retail Sales

Effective June 1, 2007, the State of South Carolina increased the sales tax it imposes on all retail sales from 5% to 6%. In November 2007, the State of South Carolina eliminated the sales tax on unprepared food for state sales tax purposes only. The following table shows the level of gross retail sales over the last five years for which information is available for businesses located in the County:

<u>Year Ended</u> <u>December 31</u>	<u>Total</u> <u>Retail Sales</u>	<u>Increase</u> <u>Over Previous Year</u>
2003	\$3,158,157,797	n/a
2004	3,414,415,525	256,257,728
2005	3,646,847,632	232,432,107
2006	3,908,542,814	261,695,182
2007	3,973,795,733	65,252,919

Source: South Carolina Department of Revenue

## Capital Investment

The following table sets forth the total announced capital investment for new and expanded industry within the County for the last three years for which information is available.

<u>Year</u>	<u>New</u> <u>Investment</u>	<u>New</u> <u>Employment</u>
2006	\$14,000,000	370
2007	17,200,000	215
2008	5,115,000	125

Source: South Carolina Department of Commerce and the Lowcountry Economic Network

## Major Manufacturing Establishments

The ten largest industrial entities located in the County, their products and their approximate number of employees are listed below.

<u>Name</u>	<u>Product</u>	<u>Number</u> <u>of Employees</u>
Resort Services, Inc.	Cleaning chemicals	265
Island Packet	Daily newspaper publisher	100
NUFARM Specialty Products, Inc.	Chemical intermediates, dyes, surfactants	92
Beaufort Gazette	Newspapers: printing and publishing	77
Rea Construction	Asphalt hot mix	65
Athena Corp.	Polymer bathtubs, countertops, showers	54
Kigre, Inc.	Solid state laser components, laser glass	45
Data Publishing Co., Inc.	Yellow pages publishing	34
2 Stroke International	Engines and parts	30
Caribbean Clear International, Ltd.	Water purification systems for pools	30

Source: South Carolina Department of Commerce

## Largest Nonindustrial Employers

The following table shows the ten largest non-industrial employers located within the County and the type of business for each:

<u>Name</u>	<u>Type of Business</u>
Beaufort County School District	Education
Wal-Mart Associates, Inc.	Retail
County of Beaufort	Government
Department of Defense	Military
Beaufort Memorial Hospital	Healthcare
Marine Corps Community Services	Military
Publix Super Markets, Inc.	Retail
Tenet Health System Hilton Head, Inc.	Healthcare
Hargray Communications Group, Inc.	Telecom
Marriott Resorts Hospitality Corp.	Hotel/Tourism

Source: South Carolina Employment Security Commission (May 2008)

## Tourism

In 2007, tourists spent more than \$1 billion in Beaufort County, according to a report by the South Carolina Department of Parks, Recreation and Tourism entitled "The Economic Impact of Travel on South Carolina Counties." In 2007, tourism was responsible for \$211 million in payroll and 13,200 jobs in the County. The County ranked third in the State on these measures, behind only Horry County (where Myrtle Beach is located) and Charleston County. The table which follows provides information concerning the tourism economy of the County and illustrates growth trends in the County for the last five years.

### Annual Resort Guests/Visitors and Estimated Expenditures<sup>1</sup>

<u>Year</u>	<u>Number of Guests</u>	<u>Annual Expenditures</u>
2002	2,195,530	\$1,490,000,000
2003	2,183,231	1,488,418,000
2004	2,248,389	1,532,839,000
2005	2,302,370	1,569,281,000
2006	2,235,121	1,704,375,000

<sup>1</sup> Figures for Hilton Head Island only.

Source: Greater Beaufort Chamber of Commerce

## Unemployment

The average unemployment rate in the County for each of the last 12 months for which data is available is shown below:

<u>Date</u>	<u>Unemployment Rate</u>
January 2008	5.0%
February 2008	4.4
March 2008	4.0
April 2008	3.9
May 2008	4.3
June 2008	5.1
July 2008	5.7
August 2008	5.8
September 2008	5.3
October 2008	6.0
November 2008	6.3(p)
December 2008	7.0(p)

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(p) Preliminary.

Source: U.S. Department of Labor, Bureau of Labor Statistics; South Carolina Employment Security Commission.

The average unemployment rates in the County, the State and the United States for each of the last five years is shown below:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2003	4.7%	6.7%	6.0%
2004	4.9	6.8	5.5
2005	4.9	6.7	5.1
2006	4.7	6.4	4.6
2007	4.4	5.9	4.6

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Source: U.S. Department of Labor, Bureau of Labor Statistics

## Labor Force

The labor force of the County has experienced rapid growth in the categories of wholesale and retail trade, services and government. The increases in these areas have more than offset the declines in construction related employment.

The composition of the civilian labor force in the County, based on place-of-work basis, for the last five years for which information is available, is as follows:

**Nonagricultural Wage and Salary Employment  
(By Place of Work)**

<u>Sector</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Manufacturing	1,119	1,155	1,217	1,169	1,250
Non-Manufacturing					
Construction & Mining	7,988	8,761	8,476	8,478	8,870
Transportation and Public Utilities	1,431	1,431	1,418	1,586	1,621
Wholesale and Retail Trade	10,932	11,012	11,304	11,827	12,113
Information	981	995	952	916	1,014
Finance, Insurance, and Real Estate	7,412	7,802	8,469	9,547	10,633
Services (including Agricultural Services)	33,631	34,684	36,615	37,333	38,292
Government	<u>20,524</u>	<u>20,320</u>	<u>20,161</u>	<u>20,196</u>	<u>20,238</u>
<b>TOTAL</b>	84,467	86,599	89,042	91,487	94,480

Source: South Carolina Employment Security Commission, Labor Market and Information Division

The labor force participation rate of residents of the County (regardless of place of employment) for the past five years is as follows:

**Labor Force Estimates  
(By Place of Residence)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007(p)</u>
Civilian Labor Force	56,279	59,135	61,787	63,279	65,083
Employment	53,614	56,214	58,777	60,297	62,198
Unemployment	2,665	2,921	3,010	2,982	2,885

(p) Preliminary.

Workers involved in labor disputes are included among the employed. Total employment also includes agricultural workers, proprietors, self-employed persons, workers in private households, and unpaid family workers.

Source: South Carolina Employment Security Commission, Labor Market Information

**Facilities Located Within or Serving the County**

*Transportation.* Three U.S. Highways run through the County. U.S. 17 runs north-south along the coast, connecting the County with Charleston to the north and Savannah, Georgia to the south. U.S. 21 connects U.S. 17 with the City of Beaufort, several islands in northern Beaufort County, and the furthest east point in the County: Hunting Island State Park. U.S. 278 connects U.S. 17 with southern Beaufort County, including Hilton Head Island. The County is served by approximately 133 motor freight carriers. Rail facilities are provided in the County by CSX Railroad which interfaces with Port Royal Railroad at Yemassee, and Amtrak provides passenger service.

There are two airports located in the County, the Beaufort County Airport, on Lady's Island, and the Hilton Head Island Airport. The Hilton Head Island facility is currently serviced by USAir from

Charlotte and American Eagle from Raleigh/Durham. The terminal at the Hilton Head Island Airport was completed in November 2002. The Beaufort County Airport is maintained for general aviation service only.

*Hospital Facilities.* Beaufort Memorial Hospital (“Beaufort Memorial”) is a non-profit hospital accredited by the Joint Commission on Accreditation of Healthcare Organizations for 197 beds (169 acute, 14 rehab and 14 mental health). It employs 1,200 people, including a medical staff of more than 150 physicians, 100 percent of whom are board-certified. The main hospital is located in the City of Beaufort. Beaufort Memorial’s cancer center in the Town of Port Royal is affiliated with Duke University. Beaufort Memorial’s clinic in the Town of Bluffton includes doctors’ offices, laboratory, x-ray and health education programs. Hilton Head Regional Hospital, within the Town of Hilton Head Island, has 85 staffed beds, including 61 acute care units, 20 intensive care units and 4 post-partum units. A U.S. Naval Hospital is also located within the County which has 49 staffed beds and 5 intensive care unit beds.

*Recreation.* Hunting Island State Park (“Hunting Island”) is located in the County. Hunting Island is South Carolina’s most popular state park, attracting more than a million visitors each year. The 5,000-acre park includes five miles of beach, thousands of acres of marsh, tidal creeks and maritime forest, a saltwater lagoon and ocean inlet. Amenities include a fishing pier and some of the state’s most desirable campsites and cabins, some of which were built by the Civilian Conservation Corps in the 1930s. The park also includes South Carolina’s only publicly accessible historic lighthouse. Dating from the 1870s, the Hunting Island Lighthouse is 170 feet tall.

*K-12 Education.* The School District of Beaufort County (the “School District”) is coextensive with the County. The School District, which was established by State legislation, provides certain services with funds from taxes levied and collected for it by the County. The School District currently operates 16 elementary schools, six middle schools, four senior high schools, one early childhood center, and one career education center. There are also three major private schools located in the County, each offering grades K-12: Beaufort Academy, Hilton Head Preparatory School, and Hilton Head Christian Academy.

*Higher Education.* University of South Carolina – Beaufort (“USCB”), the Lowcountry’s regional senior campus of the University of South Carolina, is located in the County. USCB itself has two campuses in the County: one in the City of Beaufort, and the other in the Town of Bluffton, near Hilton Head Island. USCB offers baccalaureate degrees and provides local access to graduate courses and programs through the USC Extended Graduate Campus. USCB had a spring 2008 headcount enrollment of 1,317 students.

Technical College of the Lowcountry, a public two-year institution, has two campuses in the County: one in the City of Beaufort, the other in the Town of Bluffton. It also has field education offices at the Marine Corps Air Station and Parris Island Marine Recruit Depot. Technical College of the Lowcountry offers more than 70 degree, diploma, or certificate programs, and is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS). It had a spring 2008 headcount enrollment of 1,821 students.

Webster University, a private graduate institution, has three campuses in the County: at the Beaufort Naval Hospital, Marine Corps Air Station, and Parris Island Marine Recruit Depot. Each location offers Masters in Business Administration degrees as well as masters degrees in other subject areas.



## **Financial Institutions**

According to the Federal Deposit Insurance Corporation, as of June 30, 2008, there were 65 branches of 20 commercial banks in the County, with total deposits of \$2,295,000,000 as well as 13 branches of 5 savings institutions with total deposits of \$441,000,000. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices in the County.

## **TAX EXEMPTION AND OTHER TAX MATTERS**

### **Opinion of Bond Counsel**

Certain legal matters with regard to the issuance of the Notes are subject to the approval of McNair Law Firm, P.A. Columbia, South Carolina, Bond Counsel, whose approving opinion will be available at the time of the delivery of the Notes. In the opinion of Bond Counsel, based upon existing statutory rulings and court decisions, and subject to the qualifications set for the under "Internal Revenue Code of 1986" below, the interest on the Notes is excludable from gross income for federal income tax purposes. The proposed form of Bond Counsel's opinion appears as Appendix B to this Official Statement.

### **Internal Revenue Code of 1986**

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions that relate to tax-exempt obligations, such as the Notes, including, among other things, permitted uses and investment of the proceeds of the Notes and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury. Noncompliance with these requirements may result in interest on the Notes becoming subject to federal income taxation retroactive to the date of issuance of the Notes. The County has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Notes from gross income for federal tax purposes. Failure of the County to comply with the covenant could cause the interest on the Notes to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income if the amount of such alternative minimum tax is greater than the amount of such taxpayer's regular income tax. Interest on the Notes is not an item of tax preference for purposes of the individual and corporate alternative minimum tax; however, such interest will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of computing the alternative minimum tax imposed on corporations.

Purchasers of the Notes should consult their tax advisors with respect to collateral tax consequences of ownership of the Notes, such as the calculation of alternative minimum tax, environmental tax or foreign branch profits tax liability, the tax on passive income of S corporations, the inclusion of Social Security or other retirement payments in taxable income, or the portion of interest expense of a financial institution which is allocable to tax-exempt interest.

Bond Counsel has not undertaken to determine (or inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the date of issuance of the Notes may affect the tax exemption of interest on the Notes. In rendering its opinion, Bond Counsel will rely upon a certificate of the County with respect to certain material facts solely within their respective knowledge relating to the application of the proceeds of the Notes.

### **South Carolina Taxation**

In the opinion of Bond Counsel, the Notes and the interest payments thereon are exempt from all State taxation except estate or other transfer taxes. Section 12-11-20 of the South Carolina Code of Laws of 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed at the rate of 4-1/2% of the entire net income of such bank. Regulations of the South Carolina Tax Commission require that the term "entire net income" includes income derived from any source whatsoever including interest on obligations of any state and any political subdivision thereof. Interest on the Notes will be included in such computation.

## **LEGAL MATTERS**

### **Opinions**

The issuance of the Notes is subject to the favorable opinion of McNair Law Firm, P.A., Bond Counsel, as to the validity of the issuance of the Notes under the Constitution and laws of the State of South Carolina.

McNair Law Firm, P.A. has assisted the County by compiling certain information supplied to them by the County and others and included in this Official Statement, but McNair Law Firm, P.A. has not made an independent investigation or verification of the accuracy, completeness or fairness of such information. The opinion of McNair Law Firm, P.A. will be limited solely to the legality and enforceability of the Notes, and no opinion will be given with respect to this Official Statement.

### **Litigation**

There is no controversy or litigation of any nature now pending or, to the knowledge of the County officials, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes or the levy and collection of taxes to pay the Notes; or questioning the proceedings or authority pursuant to which the Notes are issued and taxes levied; or questioning or relating to the validity of the Notes, or contesting the corporate existence of the County or the titles of its present officers to their respective offices.

The absence of such litigation will be confirmed at the time of delivery of the Notes.

### **United States Bankruptcy Code**

This undertaking of the County should be considered with reference to Chapter 9 of the Bankruptcy Code, 11 U.S.C. 901, et seq., as amended, and other laws affecting creditors' rights and municipalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a State that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other

proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") (collectively, the "Rating Services") have assigned their municipal bond ratings of "MIG 1" and "SP-1+," respectively, to the Notes. Such ratings reflect only the views of the Rating Services and an explanation of the significance of such ratings may be obtained from the Rating Services. The County has furnished to the Rating Services certain information and materials respecting the County and the Notes. Generally, the Rating Services base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Services, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.

### **UNDERWRITING**

The Notes have been purchased at a competitive sale from the County for resale by J. P. Morgan Securities, Inc. (the "Purchaser"). The Purchaser has agreed, subject to certain conditions, to purchase the Notes at par plus a bid premium of \$540,205.40. The initial public offering yield of the Notes are as shown on the front cover page of this Official Statement and may be changed from time to time by the Purchaser. The Purchaser may also allow a concession from the public offering prices to certain dealers. If all of the Notes are sold at the public offering yields or prices as set forth on the inside front cover page of this Official Statement, the Purchaser anticipates total selling compensation of \$26,815.25 for the Notes. The Purchaser has received no fee from the County for underwriting the Notes.

### **CERTIFICATE CONCERNING THE OFFICIAL STATEMENT**

Concurrently with the delivery of the Notes, the Administrator of the County will deliver to the purchaser of the Notes a certificate which will state that, to the best of his knowledge, this Official Statement did not as of its date and as of the sale date, and the final Official Statement does not, as of the date of delivery of the Notes, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement or the final Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, providing such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Notes.

## **FINANCIAL ADVISOR**

Ross, Sinclair & Associates, LLC has acted as Financial Advisor to the County in connection with the issuance of the Notes. In this capacity, Ross, Sinclair & Associates, LLC provided technical assistance in the preparation of the offering documents and assisted the County in preparing for this financing.

Ross, Sinclair & Associates, LLC may, through the competitive bidding process, acquire as principal, or as a participant in a syndicate of underwriters, all or a part of the Bonds including those upon which Ross, Sinclair & Associates, LLC has rendered financial advice. Prior to its participation in the competitive bidding process, Ross, Sinclair & Associates, LLC will obtain the written and express consent of the School District to Ross, Sinclair & Associates, LLC's participation in the possible purchase as principal of the Bonds, provided that such bid is submitted electronically only. In the absence of such consent, Ross, Sinclair & Associates, LLC, will not participate in the competit

## **CONTINUING DISCLOSURE UNDERTAKING**

The County has covenanted, pursuant to Section 11-1-85, South Carolina Code of Laws 1976, as amended, to file with a central repository for availability in the secondary bond market, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of tax revenue or the County's tax base.

In order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the County has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Notes with Digital Assurance Certification, L.L.C. ("DAC"), under which the County has designated DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached hereto as Exhibit C.

The County previously has executed its Continuing Disclosure Certificates or Disclosure Dissemination Agent Agreements in connection with the issuance of its general obligation debt as set forth in the table entitled "General Obligation Debt by Issue" contained herein. In the past, the County has not timely filed annual reports; however, as of the date of this Official Statement, the County is current with respect to the requirements of its continuing disclosure obligations.

## **MISCELLANEOUS**

Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief summaries of such provisions thereof and do not purport to describe with particularity all provisions thereof.

Please address further inquiries, or requests for additional copies of this Preliminary Official Statement to Gary Kubic, County Administrator, Beaufort County, South Carolina, 100 Ribaut Road, Room 156, Beaufort, South Carolina 29901-1228, Telephone (843) 470-2592; the County's Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P.A., 1301 Gervais Street, 17th Floor, Columbia, South Carolina 29201, Telephone (803) 799-9800, e-mail: [fheizer@mcnair.net](mailto:fheizer@mcnair.net); or the County's Financial advisor, Brian G. Nurick, Financial Advisor, Ross, Sinclair & Associates, LLC, 1219 Assembly Street, Columbia, South Carolina 29201, telephone (800) 255-0795, e-mail: [bnurick@rsamuni.com](mailto:bnurick@rsamuni.com).

The delivery of this Preliminary Official Statement and its use in connection with the sale of the Notes has been duly authorized by officials of the County in their capacity.

/s/ Gary Kubic  
County Administrator, Beaufort County, South Carolina

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**APPENDIX A**

**FINANCIAL STATEMENTS FOR FISCAL  
YEAR ENDED JUNE 30, 2008**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Beaufort County Council  
Beaufort County  
Beaufort, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Beaufort County, South Carolina (the County) as of and for the year ended June 30, 2008 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Beaufort County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2009 on our consideration of Beaufort County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government auditing standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and required supplementary information, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, general, debt service, and capital project fund budgetary comparison information, Clerk of Court and Magistrates fees and fines schedule, and statistical tables as listed in the Table of Contents are presented for the purpose 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 U.S. 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 Beaufort County, South Carolina. The combining and individual nonmajor fund financial statements, general fund, debt service, and capital project fund budgetary comparison information, Clerk of Court and Magistrate fees and fines schedule, and accompanying 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 presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Elliott Davis, LLC*

Columbia, South Carolina  
January 23, 2009

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

As management of Beaufort County, South Carolina (the County), we offer the readers of the County's financial statements this narrative overview and analysis of the financial activities of Beaufort County, South Carolina for the fiscal year ended June 30, 2008. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 5 of this report.

**FINANCIAL HIGHLIGHTS**

- The assets of Beaufort County exceeded its liabilities at June 30, 2008 by \$186,562,593 (net assets). Of this amount \$45,709,829 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$50,508,667 during the fiscal year ended June 30, 2008 with a \$51,846,774 increase resulting from governmental activities and a \$1,338,107 decrease resulting from business type activities.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$155,615,408, an increase of \$46,983,609 in comparison with the prior year. Approximately 33 percent, \$51,782,717, is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, the County's unreserved fund balance for the general fund was \$18,929,748, or approximately 21 percent of the general fund expenditures and transfers.
- Beaufort County's net capital assets increased by \$43,073,897 during the current fiscal year. The increase in governmental activities net capital assets of \$43,785,718 was mostly the result of several purchases of property through the Real Property Purchase Program and the construction of the Bluffton Parkway and of several other road projects throughout the County with the County's Road Improvement Program.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. In particular, these statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies.

The *statement of net assets* presents information on all of the County's assets less its liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, public health, public welfare, and cultural and recreation. The business-type activities include the garage,

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stormwater utility, the Lady's Island Airport, and the Hilton Head Island Airport. The business-type activities function for all practical purposes as departments of the County, and therefore have been included as integral parts of the primary government.

The government-wide financial statements can be found on pages 27 through 29 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Beaufort County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** – Governmental funds are used to account for essentially the same functions as governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, County wide general obligation bonds fund, sales tax projects fund, real property program fund, and the Bluffton Parkway project fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic fund financial statements can be found on pages 30 through 36 of this report.

**Proprietary funds** – The County maintains four different types of proprietary funds, all of which are *enterprise funds*. Enterprise funds are used to report the same functions as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its garage, stormwater utility, Lady's Island Airport, and Hilton Head Island Airport operations. These funds report the services provided by the County for which the County charges a user fee or charge intended to recover all or a significant portion of their costs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the garage, stormwater utility, Lady's Island Airport, and the Hilton Head Island Airport, all of which are considered to be major funds of the County.

The basic proprietary fund financial statements can be found on pages 37 through 40 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA  
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**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The statement of fiduciary net assets can be found on page 41 of this report.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and the fund financial statements. The notes are presented on pages 42 through 66 of the report.

**Other supplemental information** – In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information that further supports the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented within this section of this report and can be found on pages 67 through 129.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Beaufort County, assets exceeded liabilities by \$186,562,593 as of June 30, 2008.

Of this amount, \$92,246,900 (approximately 49 percent) reflects the County's investment in capital assets (land, buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to repay the debt. An additional portion of the County's net assets, \$48,605,864 (approximately 26 percent), represents resources that are restricted to the repayment of the County's bonded indebtedness. The remaining balance of unrestricted net assets, \$45,709,829 (approximately 25 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Beaufort County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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Beaufort County's Net Assets  
June 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 170,545,486	\$ 124,774,702	\$ 3,001,168	\$ 2,841,689	\$ 173,546,654	\$ 127,616,391
Capital Assets	<u>258,415,419</u>	<u>214,629,701</u>	<u>23,334,636</u>	<u>24,046,457</u>	<u>281,750,055</u>	<u>238,676,158</u>
<b>Total Assets</b>	<b><u>\$ 428,960,905</u></b>	<b><u>\$ 339,404,403</u></b>	<b><u>\$ 26,335,804</u></b>	<b><u>\$ 26,888,146</u></b>	<b><u>\$ 455,296,709</u></b>	<b><u>\$ 366,292,549</u></b>
Long-Term Liabilities	\$ 240,014,260	\$ 200,391,194	\$ 1,940,921	\$ 195,847	\$ 241,955,181	\$ 200,587,041
Other Liabilities	<u>24,174,156</u>	<u>26,087,494</u>	<u>2,604,779</u>	<u>3,564,088</u>	<u>26,778,935</u>	<u>29,651,582</u>
<b>Total Liabilities</b>	<b><u>\$ 264,188,416</u></b>	<b><u>\$ 226,478,688</u></b>	<b><u>\$ 4,545,700</u></b>	<b><u>\$ 3,759,935</u></b>	<b><u>\$ 268,734,116</u></b>	<b><u>\$ 230,238,623</u></b>
<b>Net Assets:</b>						
<b>Invested in Capital Assets</b>						
Net of Related Debt	\$ 70,675,038	\$ 52,776,852	\$ 21,571,862	\$ 24,046,457	\$ 92,246,900	\$ 76,823,309
Restricted for Debt Service	48,605,864	18,695,106	-	-	48,605,864	18,695,106
Unrestricted (Deficit)	<u>45,491,587</u>	<u>41,453,757</u>	<u>218,242</u>	<u>(918,246)</u>	<u>45,709,829</u>	<u>40,535,511</u>
	<b><u>\$ 164,772,489</u></b>	<b><u>\$ 112,925,715</u></b>	<b><u>\$ 21,790,104</u></b>	<b><u>\$ 23,128,211</u></b>	<b><u>\$ 186,562,593</u></b>	<b><u>\$ 136,053,926</u></b>

The County's total net assets increased by \$50,508,667 during the 2008 fiscal year. Key elements of this increase are as follows:

- There was an increase in the County's governmental current and other assets of \$45.7 million, which increased mostly because of the \$19.3 million increase in cash within the County's County wide general obligation bonds fund as of June 30, 2008 compared to June 30, 2007. This increase resulted from the cash realized but not spent as of June 30, 2008 from the County's \$17.5 million refunding bond issuance. Also, the County's sales tax projects fund's cash increased by approximately \$16.3 million and other current assets increased by \$3.1 million over the previous fiscal year due to the 1% referendum local sales tax monies realized for the full fiscal year. The 1% referendum local sales tax collections began in the last quarter of the 2007 fiscal year. Additionally, there was a \$5.1 million increase in the New River Tax Increment Financing's (TIF) debt service fund equity in pooled cash and investments. The \$5.1 million increase was the result of the County's TIF reconciliation and an increase of \$2 million in tax revenues from the 2007 fiscal year to the 2008 fiscal year.
- The County's governmental net capital assets increased by \$43.8 million. This increase occurred mostly from the County's \$21.6 million in purchases of land and easements, \$19.7 million of investments in infrastructure, and \$4.0 million in upgraded radios for improved communications abilities in the event of emergencies. See the capital assets and debt administration section below for more detail.
- The \$17.5 million bond issuance and a \$25.5 million bond issuance were also the main cause of the increases within the County's governmental activities restricted for debt service net assets and long-term liabilities. The increases in debt service net assets and long-term liabilities were \$39.9 million and \$39.7 million, respectively.
- For the County's business-type activities, there was an increase of approximately \$.7 million in liabilities. This increase mostly related to the \$1.8 million note the County's general fund issued to the Hilton Head Island Airport for the construction of hangers at the airport, net of the Hilton Head Island Airport's net \$.4 million pay-down of its current advances from the County's general fund, the Lady's Island Airport's net \$.2 million pay-down of its current advances from the County's general fund, and a \$.1 million decrease in Hilton Head Island Airport's accounts payable from June 30, 2007 to June 30, 2008.

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Beaufort County's Changes in Net Assets  
For the Fiscal Years Ended June 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 31,413,093	\$ 32,302,521	\$ 10,385,146	\$ 8,887,802	\$ 41,798,239	\$ 41,190,323
Operating Grants and Contributions	8,312,520	6,980,330	244,468	219,079	8,556,988	7,199,409
Capital Grants and Contributions	33,285,927	8,567,228	1,004,624	1,334,933	34,290,551	9,902,161
<b>General Revenues:</b>						
Property Taxes	81,399,195	72,584,375	-	-	81,399,195	72,584,375
Grants and Contributions	9,621,104	7,719,639	-	-	9,621,104	7,719,639
<b>Unrestricted Investment Earnings</b>						
Earnings	4,701,846	4,179,902	86,760	174,319	4,788,606	4,354,221
Transfers in / (Out)	1,863,867	-	(1,863,867)	-	-	-
Miscellaneous	<u>9,342,263</u>	<u>2,838,808</u>	<u>270</u>	<u>4,320</u>	<u>9,342,533</u>	<u>2,843,128</u>
<b>Total Revenues</b>	<u>179,939,815</u>	<u>135,172,803</u>	<u>9,857,401</u>	<u>10,620,453</u>	<u>189,797,216</u>	<u>145,793,256</u>
<b>Program Expenses</b>						
<b>Governmental Activities:</b>						
General Government	27,566,886	24,863,032	-	-	27,566,886	24,863,032
Public Safety	45,505,447	40,322,590	-	-	45,505,447	40,322,590
Public Works	21,017,930	19,507,135	-	-	21,017,930	19,507,135
Public Health	9,545,159	8,434,863	-	-	9,545,159	8,434,863
Public Welfare	2,082,811	1,460,053	-	-	2,082,811	1,460,053
Cultural and Recreation	11,682,973	10,527,430	-	-	11,682,973	10,527,430
Interest	10,691,835	9,238,679	-	-	10,691,835	9,238,679
<b>Business-Type Activities:</b>						
Garage	-	-	4,778,275	4,186,346	4,778,275	4,186,346
Stormwater Utility	-	-	2,896,205	2,528,367	2,896,205	2,528,367
Lady's Island Airport	-	-	845,649	673,942	845,649	673,942
Hilton Head Airport	-	-	<u>2,675,379</u>	<u>2,107,556</u>	<u>2,675,379</u>	<u>2,107,556</u>
<b>Total Expenses</b>	<u>128,093,041</u>	<u>114,353,782</u>	<u>11,195,508</u>	<u>9,496,211</u>	<u>139,288,549</u>	<u>123,849,993</u>
<b>Excess Revenues over Expenses</b>	<b>51,846,774</b>	<b>20,819,021</b>	<b>(1,338,107)</b>	<b>1,124,242</b>	<b>50,508,667</b>	<b>21,943,263</b>
<b>Net Assets, Beginning</b>	<u>112,925,715</u>	<u>92,106,694</u>	<u>23,128,211</u>	<u>22,003,969</u>	<u>136,053,926</u>	<u>114,110,663</u>
<b>Net Assets, Ending</b>	<u>\$ 164,772,489</u>	<u>\$ 112,925,715</u>	<u>\$ 21,790,104</u>	<u>\$ 23,128,211</u>	<u>\$ 186,562,593</u>	<u>\$ 136,053,926</u>

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Governmental activities increased the County's net assets by \$51.8 million, thereby accounting for 103 percent of the total growth in the net assets of the County (net of the decrease in the County's business-type activities net assets). Key elements of this net increase are as follows:

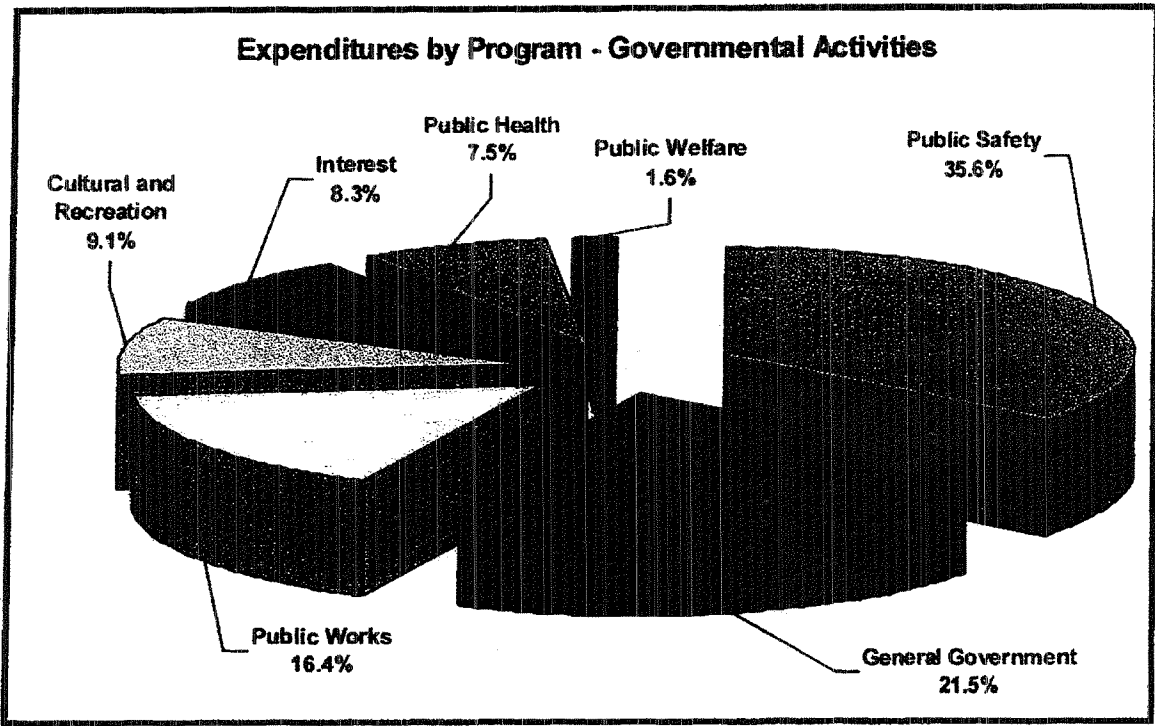
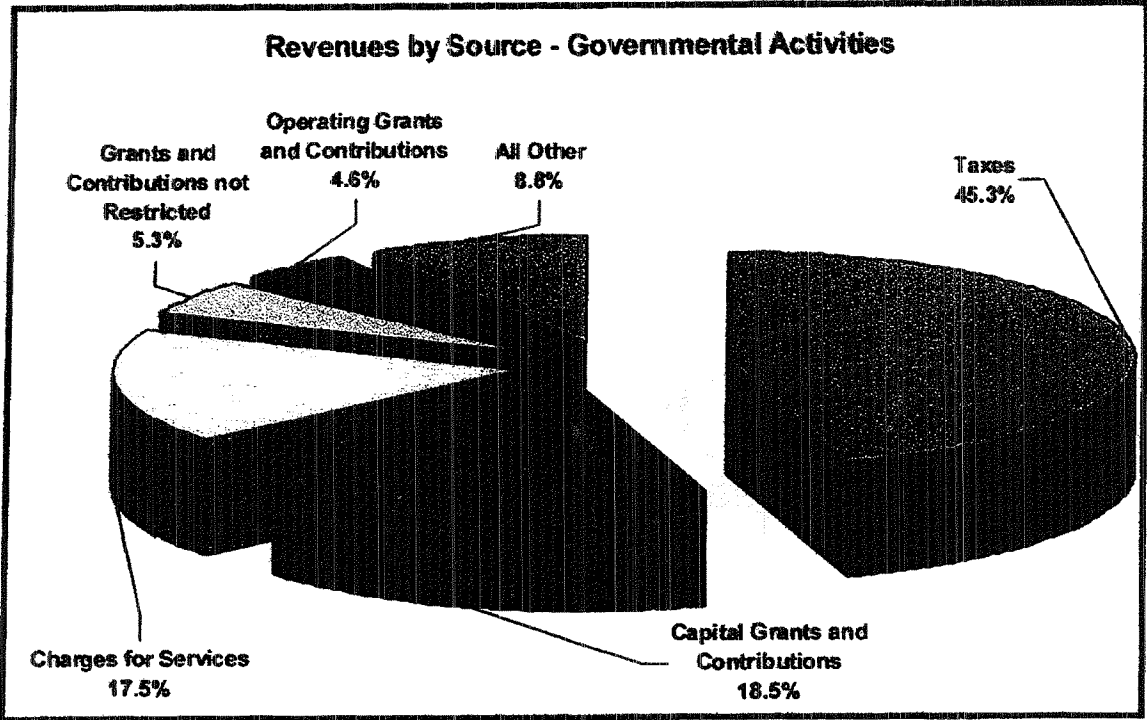
- The County's governmental capital grants and contributions revenues increased by \$24.7 million compared to the 2007 fiscal year, which was mostly due to the \$20.9 million increase in the County's sales tax projects fund revenues. As stated above the sales tax projects fund relates to the 1% referendum local sales tax collections which were realized for the full 2008 fiscal year, as opposed to part of the 2007 fiscal year (the first year of collections).
- In the 2008 fiscal year property tax revenues increased by approximately \$8.8 million (or 12.1%) over the 2007 fiscal year. The 12.1% increase of property tax revenues in the 2008 fiscal year over the 2007 fiscal year is compared to a \$3.9 million or 5.6% increase in property tax revenues in the 2007 fiscal year over the 2006 fiscal year and compared to a \$3.0 million or 4.6% increase in property tax revenues in the 2006 fiscal year over the 2005 fiscal year. Increases in property taxes were due to increased millage rates, increasing property values, increasing development, and an increasing population.
- Miscellaneous revenues also increased by \$8.4 million, which was fueled mostly from \$6.5 million in litigation settlement funds realized by the County. \$6.0 of the \$6.5 million in settlement funds related to the settlement between the County and the builder of the County's administrative complex.
- The County's public safety expenditures increased by \$5.2 million during the 2008 fiscal year as compared to the 2007 fiscal year. The increase resulted mostly from a \$1.2 million other post employment benefits (OPEB) liability expenditure increase in fiscal year 2008 compared to fiscal year 2007. Starting in fiscal year 2008, the County began to recognize a total \$3.4 million annual OPEB cost, of which \$1.2 million is allocated to the County's public safety function. The recognized allocated OPEB cost is in compliance with the Governmental Accounting Standards Board (GASB) issued Statement No. 45 entitled *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which took effect in the 2008 fiscal year for the County. Additionally, purchases of non-capitalized assets increased by \$1.1 million in the 2008 fiscal year compared to the 2007 fiscal year and the book value of assets disposed totaled approximately \$.2 million in the 2008 fiscal year, compared to no net book value of assets disposed of in the 2007 fiscal year.

Business-type activities decreased the County's net assets by \$1.3 million, thereby accounting for a negative 3 percent of the total growth in the net assets of the County. Key elements of this net increase are as follows:

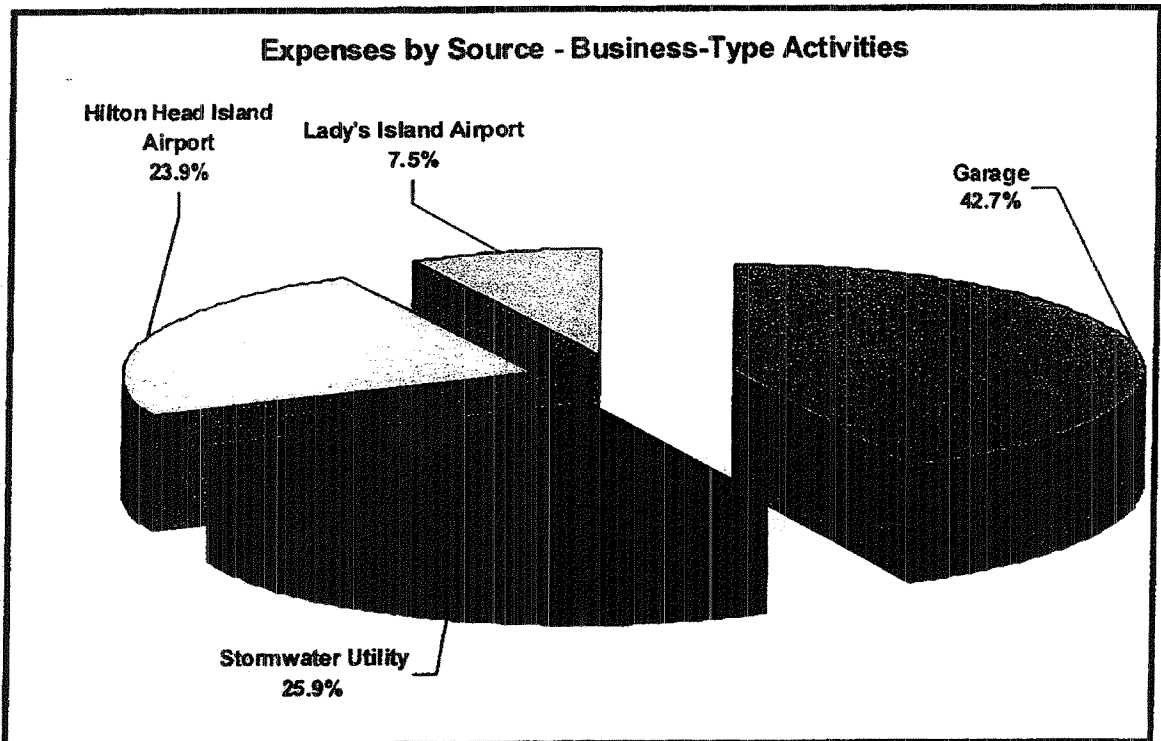
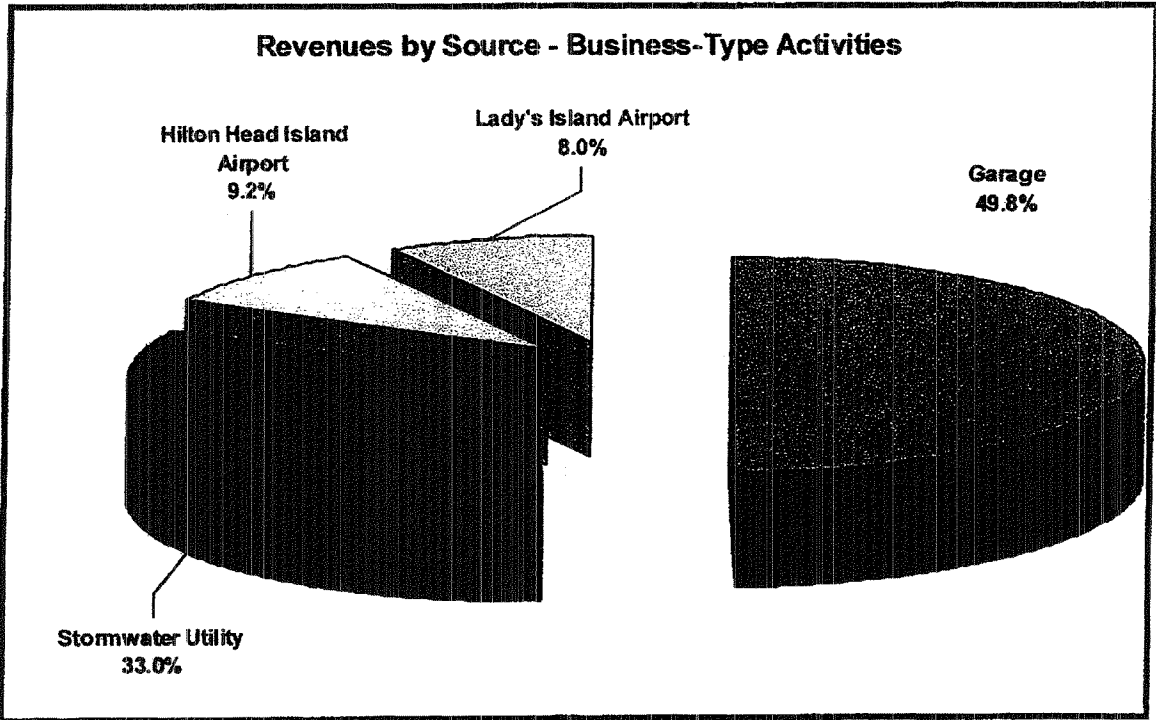
- Expenses for the Hilton Head Island Airport increased by approximately \$2.4 million during the 2008 fiscal year compared to the 2007 fiscal year. The cause of the increase resulted mostly from the County issuing a \$1.8 million note in fiscal year 2008 for hangers completed at the County's expense at the Hilton Head Island Airport in fiscal year 2007.



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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Beaufort County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$155,615,408, an increase of \$46,983,609 in comparison with the prior year. Approximately one third of this total amount (\$51,782,717) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to 1) to liquidate contracts and purchase orders (\$22,899,299), 2) to fund planned capital projects (\$32,327,528), and 3) to pay debt service (\$48,605,864).

**General Fund** – The general fund is the main operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$18,929,748, while the total fund balance was \$19,756,991. As a measure of the general fund's liquidity, a comparison is made of both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 21% of total general fund expenditures and transfers, while total fund balance represents approximately 22% of total general fund expenditures.

**County Wide General Obligation Bonds Fund** – At the end of the current fiscal year, the total fund balance of the county wide general obligation bonds fund was \$21,807,616, all of which was reserved for debt service. The county wide general obligation bonds fund recognized revenues of \$11,527,395, total expenditures of \$12,416,747, and \$21,605,128 in other financing sources, for a net change in fund balance of \$20,715,776.

**Sales Tax Projects Fund** – At the end of the current fiscal year, the total fund balance of the sales tax projects fund was \$22,899,230, of which \$20,771,536 was reserved for encumbrances and \$2,127,694 was reserved for capital projects. The sales tax projects fund recognized revenues of \$25,930,718 and total expenditures of \$6,846,156, for a net change in fund balance of \$19,084,562.

**Real Property Program Fund** – At the end of the current fiscal year, the total fund balance of the real property program fund was \$3,130,185, all of which was reserved for capital projects. The real property program fund recognized revenues of \$5,498,156, total expenditures of \$20,908,819, and \$20,000,000 in other financing sources, for a net change in fund balance of \$4,589,337.

**Bluffton Parkway Project Fund** – At the end of the current fiscal year, the total fund balance of the Bluffton Parkway project fund was \$3,630,417, of which \$1,283,116 was reserved for encumbrances and \$2,347,301 was reserved for capital projects. The Bluffton Parkway project fund recognized revenues of \$134,620, total expenditures of \$10,597,211, and \$5,500,000 in other financing sources, for a net change in fund balance of (\$4,962,591).

Details of the County's governmental funds are shown in the government-wide financial statements. Further details of the County's general fund are shown on Schedule "A" and further details of the County's nonmajor governmental funds are shown on Schedules "B", "C", "D" and "E".

**Proprietary funds** – The focus of the County's proprietary funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County proprietary funds' financing requirements. As restrictions, commitments, and other limitations on net assets significantly affect the availability of fund resources for future use, unreserved net assets may serve as a useful measure of a government's proprietary net resources available for spending at the end of the fiscal year.

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As of the end of the current fiscal year, the County's proprietary funds reported combined ending net assets of \$21,790,104 an decrease of \$1,338,107 in comparison with the prior year. The decrease was mostly the result of the transfer of \$1.8 million from the Hilton Head Island Airport to the County's general fund, which corresponded to hangers the County built for the airport in the fiscal years 2007 and prior. In fiscal year 2008, the County reclassified the hangers from a contribution to a liability and issued a \$1.8 million note to the Hilton Head Island Airport.

**Garage** – At the end of the current fiscal year, the net assets of the garage fund was \$183,300, of which \$231,178 was invested in capital assets, net of related debt, leaving a deficit balance of \$47,878 in unrestricted net assets. The garage fund recognized operating revenues of \$4,913,862, total operating expenses of \$4,778,275, and \$270 in net non-operating revenues, for a change in net assets of \$135,857.

**Stormwater Utility** – At the end of the current fiscal year, the net assets of the stormwater utility fund was \$3,076,393, of which \$1,432,554 was invested in capital assets, net of related debt, leaving a balance of \$1,643,839 in unrestricted net assets. The stormwater utility fund recognized operating revenues of \$3,233,196, total operating expenses of \$2,896,205, and \$19,681 in net non-operating revenues, for a change in net assets of \$356,672.

**Lady's Island Airport** – At the end of the current fiscal year, the net assets of the Lady's Island Airport fund was \$3,091,388, of which \$3,399,380 was invested in capital assets, net of related debt, leaving a deficit balance of \$307,992 in unrestricted net assets. The Lady's Island Airport recognized operating revenues of \$729,620, total operating expenses of \$781,425, and \$6,304 in net non-operating expenses, for a change in net assets of (\$58,109).

**Hilton Head Island Airport** – At the end of the current fiscal year, the net assets of the Hilton Head Island Airport fund was \$15,439,023, of which \$16,508,750 was invested in capital assets, net of related debt, leaving a deficit balance of \$1,069,727 in unrestricted net assets. The Hilton Head Island Airport recognized operating revenues of \$1,752,936, total operating expenses of \$2,204,325, and \$1,321,138 in net non-operating expenses, for a change in net assets of (\$1,772,527).

BEAUFORT COUNTY, SOUTH CAROLINA  
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GENERAL FUND BUDGETARY HIGHLIGHTS

**Original Budget to Final Budget Comparison for the Fiscal Year Ended June 30, 2008**

	Original <u>Budget</u>	Final <u>Budget</u>	Variance with Original Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 61,828,000	\$ 61,828,000	\$ -
Licenses and Permits	5,461,603	5,461,603	-
Intergovernmental	7,894,349	7,894,349	-
Charges for Services	11,649,817	11,649,817	-
Fines and Forfeitures	864,440	864,440	-
Interest	705,000	705,000	-
Miscellaneous	<u>315,100</u>	<u>315,100</u>	-
<b>Total Revenues</b>	<b>88,718,309</b>	<b>88,718,309</b>	<b>-</b>
<b>Expenditures:</b>			
General Government	23,054,464	21,512,717	1,541,747
Public Safety	39,010,991	39,941,525	(930,534)
Public Works	16,727,486	17,557,837	(830,351)
Public Health	2,665,656	3,067,186	(401,530)
Public Welfare	471,585	986,085	(514,500)
Culture and Recreation	<u>8,693,301</u>	<u>8,828,337</u>	<u>(135,036)</u>
<b>Total Expenditures</b>	<b>90,623,483</b>	<b>91,893,687</b>	<b>(1,270,204)</b>
<b>Excess of Revenues Over (Under)</b>			
Expenditures	(1,905,174)	(3,175,378)	(1,270,204)
<b>Other Financing Sources (Uses)</b>			
Transfers In	4,957,500	5,812,500	855,000
Transfers Out	<u>(3,060,572)</u>	<u>(3,060,572)</u>	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,896,928</b>	<b>2,751,928</b>	<b>855,000</b>
<b>Net Change in Fund Balance</b>	<b>(8,246)</b>	<b>(423,450)</b>	<b>(415,204)</b>
<b>Fund Balance at the</b>			
<b>Beginning of the Year</b>	<u>21,642,520</u>	<u>21,642,520</u>	-
<b>Fund Balance at the</b>			
<b>End of the Year</b>	<u>\$ 21,634,274</u>	<u>\$ 21,219,070</u>	<u>\$ (415,204)</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The general fund original budget's net assets varied from its final budget's net assets by (\$415,204). Key elements of this net budget increase are as follows:

- The County's general government original expenditures budget was revised downward by approximately \$1.5 million during the 2008 fiscal year. In this, there was a \$1.6 million decrease in the County's general contingency budget and a \$.7 million decrease in the County's various agency subsidies from their original budgeted amounts. These decreases were actually allocations out of the general government's expenditures budget to other general fund expenditure types. See the other key elements below for more detail. The decreases in the County's general government budget were offset mostly by increases of approximately \$.2 million in purchased professional services within the County planning and comprehensive plan's budget, approximately \$.2 million in purchased services budget increases within the County business license office relating to professional services purchases for the business license audit, and approximately \$.2 million in direct subsidies budget increases for the County's housing coordinator.
- The public safety expenditures budget was revised upward by \$.9 million. This mostly came from \$1.2 million in capital expenditure additions to the County's public safety budget. These extra expenditures included approximately \$.9 million in capital expenditures on vehicles for the Sheriff's Department. The \$1.2 million increase in capital expenditures was mostly offset by budget adjustments that decreased the Sheriff's Office personnel budget. Some of the \$1.2 million in public safety expenditure budget increases were allocations from the County's general government expenditures general contingency. See above for more detail.
- There also was an increased \$.8 million budget revision to the County's public works expenditures. This included an additional \$.5 million in budget increases for the County's facilities maintenance department and public works department for capital asset expenditures. Additionally, there was a \$.2 million original to final budget increase within the public works department's purchased services, most of which was attributable to cleaning services.
- Additionally, there was a net \$.5 million County public welfare expenditure budget increase relating to subsidy budget increases. In this, the County increased the original subsidy budgets of the Lowcountry Regional Transit Authority by \$247,000 and the budgets of Senior Services of Beaufort and Together for Beaufort by \$70,000 each. These public welfare expenditure budget increases came mostly from the \$.7 million general government agency subsidy allocation. See above for more detail.
- The public health expenditure budget was revised upward by approximately \$.4 million mostly due to a \$.2 million increase in the County's mosquito control department's capital asset expenditures budget and a \$.2 million increase in the County's public health subsidies, \$140,000 of which went to an increased subsidy budget for Coastal Empire Mental Health. These public health expenditure budget increases came mostly from the \$.7 million general government agency subsidy allocation. See above for more detail.
- Lastly, the original budget for transfers into the County's general fund was increased by approximately \$.9 million. This was accounting for an additional expected \$855,000 draw down of fund balance by the County's general fund.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Final Budget to Actual Comparison for the Fiscal Year Ended June 30, 2008**

	Final Budget	Actual	Variance with Final Budget Positive Negative
<b>Revenues:</b>			
Taxes	\$ 61,828,000	\$ 60,474,820	\$ (1,353,180)
Licenses and Permits	5,461,603	3,894,583	(1,567,020)
Intergovernmental	7,894,349	8,649,634	755,285
Charges for Services	11,649,817	10,568,767	(1,081,050)
Fines and Forfeitures	864,440	1,029,600	165,160
Interest	705,000	1,015,196	310,196
Miscellaneous	<u>315,100</u>	<u>565,823</u>	<u>250,723</u>
Total Revenues	88,718,309	86,198,423	(2,519,886)
<b>Expenditures:</b>			
General Government	21,512,717	20,963,806	548,911
Public Safety	39,941,525	38,617,353	1,324,172
Public Works	17,557,837	15,946,656	1,611,181
Public Health	3,067,186	2,975,284	91,902
Public Welfare	986,085	931,321	54,764
Culture and Recreation	<u>8,828,337</u>	<u>8,658,731</u>	<u>169,606</u>
Total Expenditures	91,893,687	88,093,151	3,800,536
<b>Excess of Revenues Over (Under)</b>			
Expenditures	(3,175,378)	(1,894,728)	1,280,650
<b>Other Financing Sources (Uses)</b>			
Transfers In	5,812,500	2,251,087	(3,561,413)
Transfers Out	<u>(3,060,572)</u>	<u>(2,241,888)</u>	<u>818,684</u>
Total Other Financing Sources (Uses)	2,751,928	9,199	(2,742,729)
Net Change in Fund Balance	(423,450)	(1,885,529)	(1,462,079)
<b>Fund Balance at the</b>			
Beginning of the Year	<u>21,642,520</u>	<u>21,642,520</u>	<u>-</u>
<b>Fund Balance at the</b>			
End of the Year	<u>\$ 21,219,070</u>	<u>\$ 19,756,991</u>	<u>\$ (1,462,079)</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The actual net assets of the County's general fund original budget's net assets varied from its final budget's net assets by (\$415,204). Key elements of this net budget increase are as follows:

- The County's tax revenues were approximately \$1.4 million less than the final budget had projected. The shortfall in tax revenues was primarily caused by the downturn in the housing market and increased home foreclosures, which follows national housing and foreclosure trends.
- The County's licenses and permits revenues were also approximately \$1.6 million less than the final budget had projected due to the fact that the County's building permit revenues were \$.9 million less than budgeted and the County's business license revenues were \$.7 million less than budgeted. These shortfalls in revenues were caused primarily by the declining economy, especially within new housing construction.
- Additionally, actual charges for services revenues were approximately \$1.0 million less than budgeted. This was caused mostly from a \$1.2 million shortfall within the register of deeds' revenues from the original budget. This too was mostly caused from the national downturn in the housing market.
- To react to the decreasing revenues, the County decreased its expenditures by approximately \$3.8 million. These decreases came mostly within a \$1.3 million positive budget to actual variance within public safety expenditures and a \$1.6 million positive budget to actual variance within public works expenditures.
  - The \$1.3 million positive variance within the County's public safety expenditures from the final budget came mostly from personnel expenditures being a combined \$.7 million less within the County's sheriff's office, communications/traffic management department, and emergency services department. Additionally, actual capital expenditures were approximately \$.3 million less than budget within the County's emergency services department.
  - The \$1.6 million positive variance within the County's public works expenditures from the final budget came mostly from \$1.1 million less in purchased solid waste disposal services used by the County's solid waste/recycling department. Also, personnel expenditures were approximately \$.5 million less than budgeted for the County's facilities maintenance, public works, engineering, and solid waste/recycling departments.
- Lastly, transfers in were approximately \$3.6 million less than budgeted. This was due to the fact that the County originally had planned to use the \$5.3 million of the general fund prior year's fund balance. The \$5.3 million prior year fund balance was not used and was offset partially by a \$1.8 million transfer from the County's Hilton Head Island Airport proprietary fund related to the County issuing a \$1.8 million note in fiscal year 2008 for hangers completed at the County's expense at the Hilton Head Island Airport in fiscal year 2007.



BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Beaufort County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 was \$281,750,055 (net of accumulated depreciation). This investment in capital assets includes land and easements, buildings and improvements, infrastructure, and equipment. The total increase in the County's investment in capital assets for the current fiscal year was 18 percent (in which governmental activities capital assets increased by approximately 21 percent and business-type activities capital assets decreased by approximately 3 percent).

Beaufort County's Capital Assets  
(Net of Depreciation)  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and Easements	\$ 75,884,513	\$ 54,310,250	\$ 13,802,425	\$ 13,802,425	\$ 89,686,938	\$ 68,112,675
Construction in Progress	15,160,362	29,618,525	53,159	63,867	15,213,521	29,682,392
Buildings and Improvements	86,889,036	87,489,329	7,364,694	7,604,784	94,253,730	95,094,113
Infrastructure	65,844,924	33,292,748	-	-	65,844,924	33,292,748
Equipment	<u>14,636,584</u>	<u>9,918,849</u>	<u>2,114,358</u>	<u>2,575,381</u>	<u>16,750,942</u>	<u>12,494,230</u>
Total Capital Assets	<u>\$ 258,415,419</u>	<u>\$ 214,629,701</u>	<u>\$ 23,334,636</u>	<u>\$ 24,046,457</u>	<u>\$ 281,750,055</u>	<u>\$ 238,676,158</u>

Major capital asset events during the current fiscal year included the following:

- The County purchased approximately \$21.6 million in governmental activities land and easements for the County's rural and critical lands program.
- Also, the County made approximately \$19.7 million of investments in infrastructure, which included \$10.4 million in additional improvements to the Bluffton and Buckwalter Parkways.
- In addition, the County purchased \$4.0 million in upgraded radios for improved communications abilities in the event of emergencies, which is included in governmental activities equipment.

Additional information on the County's capital assets can be found in note 4 on pages 49 through 50 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Long-Term Debt** – At the end of the current fiscal year, Beaufort County had \$242,247,865 of total long-term debt outstanding. Of this amount, \$177,515,000 comprises of debt backed by the full faith and credit of the government.

**Beaufort County's Outstanding Debt**  
June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 177,515,000	\$ 141,670,000	\$ -	\$ -	\$ 177,515,000	\$ 141,670,000
TIF Revenue Bonds	62,760,000	63,190,000	-	-	62,760,000	63,190,000
Notes Payable	-	-	1,762,774	382,191	1,762,774	382,191
Capital Leases	210,091	240,588	-	-	210,091	240,588
<b>Total Outstanding Debt</b>	<b><u>\$ 240,485,091</u></b>	<b><u>\$ 205,100,588</u></b>	<b><u>\$ 1,762,774</u></b>	<b><u>\$ 382,191</u></b>	<b><u>\$ 242,247,865</u></b>	<b><u>\$ 205,482,779</u></b>

Major outstanding debt events during the current fiscal year included the following:

- In September 2007, the County issued \$25,500,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2027. \$20,000,000 of the proceeds of these bonds was used for the County's rural and critical lands projects and the remaining \$5,500,000 of the proceeds of these bonds was used for the Buckwalter Parkway extension.
- In October 2007, the County issued \$17,530,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2020. The proceeds of these bonds were used for various County projects.
- The County issued a \$1.8 million note from the County's general fund to the Hilton Head Island Airport for the construction of hangers at the airport, which were completed in the 2007 fiscal year.
- Lastly, there was \$8,064,914 in debt service principle paid during the fiscal year.

The County maintains an underlying, uninsured "AA" bond rating from Standard & Poor's Rating Group, an underlying, uninsured "Aa2" bond rating from Moody's Investors Service, and an underlying, uninsured "AA-" bond rating from Fitch for its most recent general obligations bonds. Additionally the County maintains an underlying, uninsured "A-" bond rating from Standard & Poor's Rating Group, and an insured "AA" bond rating from Fitch for its most recent TIF revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation less debt issued by referendum and debt issued and paid by other sources. The current debt limitation for the County is \$88,104,325. Beaufort County was \$44,708,501 under this legal limit at June 30, 2008.

Additional information on the County's long-term debt can be found in note 5 on pages 51 through 56 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

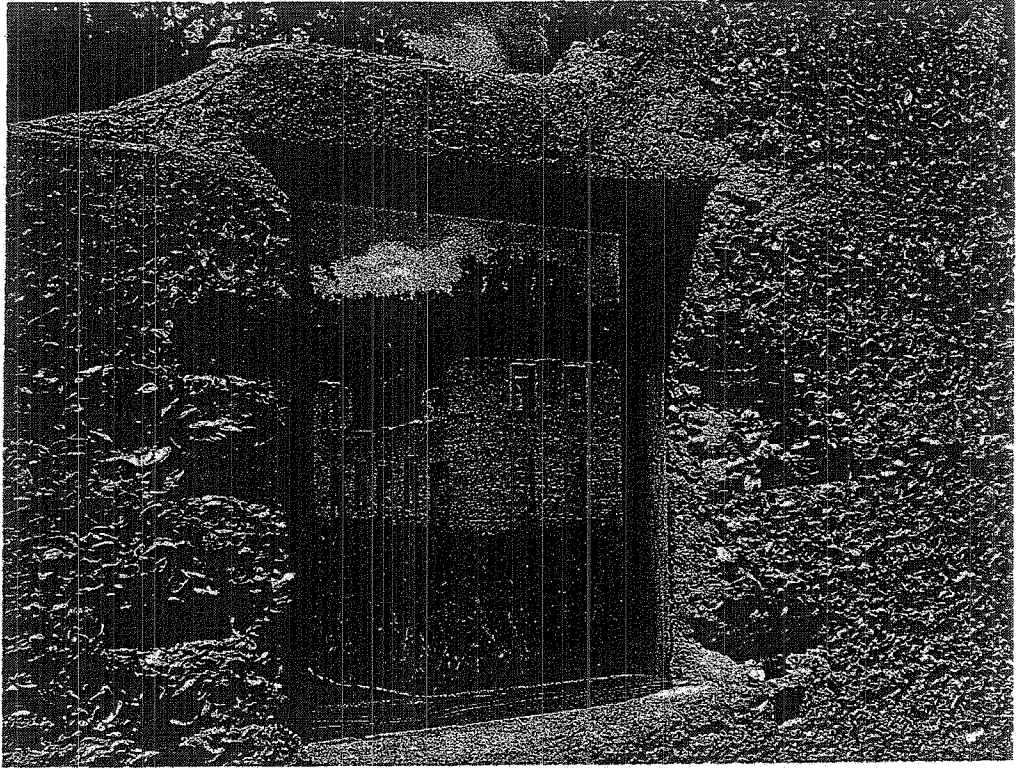
- The unemployment rate for Beaufort County was 3.7 percent at June 30, 2008, which is a decrease from a rate of 4.3 percent a year ago. This compares favorably with the State of South Carolina's average unemployment rate of 6.1 percent at June 30, 2008 and the national average unemployment rate of 5.6 percent.
- The housing market downturn began to affect the County during the 2008 fiscal year, however the downturn in the County was much less severe than in other areas around the country.
- The cost of living in this region still compares favorably to other areas of the country.

All of these factors were considered in preparing Beaufort County's budget for the 2009 fiscal year.

During the 2008 fiscal year, unreserved, undesignated fund balance in the general fund decreased by \$624,026. No fund balance of the general fund has been appropriated for spending in the County's 2009 fiscal year original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Beaufort County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Post Office Box 1228, Beaufort, SC 29901-1228.



Window to the Past by Barry E. Wright, M.D.

*“ The elegant tabby ruins of the Edwards plantation house on Spring Island have a mystical quality. Old-time South Carolina coastal construction with tabby aesthetically intrigues me and although most historic tabby buildings have been destroyed by fire, the timeless beauty of their ruins remains a tribute to the enslaved workers who built them. ”*

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Equity in Pooled Cash and Investments	\$ 141,745,277	\$ 1,393,504	\$ 143,138,781
Receivables, Net	16,589,114	1,231,671	17,820,785
Due from Other Governments	5,636,303	-	5,636,303
Advances to Other Funds	1,750,033	-	1,750,033
Inventories	-	304,267	304,267
Prepaid Expenditures	91,717	71,726	163,443
	<u>165,812,444</u>	<u>3,001,168</u>	<u>168,813,612</u>
<b>Noncurrent Assets</b>			
Equity in Pooled Investments	3,009,390	-	3,009,390
Advances to Other Funds	1,723,652	-	1,723,652
	<u>4,733,042</u>	<u>-</u>	<u>4,733,042</u>
<b>Capital Assets</b>			
Non-Depreciable	91,044,875	13,855,584	104,900,459
Depreciable	167,370,544	9,479,052	176,849,596
	<u>258,415,419</u>	<u>23,334,636</u>	<u>281,750,055</u>
<b>Total Assets</b>	<u>428,960,905</u>	<u>26,335,804</u>	<u>455,296,709</u>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Accounts Payable	9,456,445	746,544	10,202,989
Accrued Payroll	2,931,028	108,202	3,039,230
Accrued Interest Payable	3,648,037	-	3,648,037
Current Portion of Long Term Debt	6,476,701	39,122	6,515,823
Advances Payable to Other Funds	-	1,710,911	1,710,911
Due to Others	1,656,323	-	1,656,323
Deferred Revenues	5,622	-	5,622
	<u>24,174,156</u>	<u>2,604,779</u>	<u>26,778,935</u>
<b>Long Term Liabilities</b>			
Accrued Compensated Absences	2,763,940	77,411	2,841,351
Net Other Postemployment Benefits Obligation	3,241,930	139,858	3,381,788
Long-Term Obligations	234,008,390	1,723,652	235,732,042
	<u>240,014,260</u>	<u>1,940,921</u>	<u>241,955,181</u>
<b>Total Liabilities</b>	<u>264,188,416</u>	<u>4,545,700</u>	<u>268,734,116</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	70,675,038	21,571,862	92,246,900
Restricted for Debt Service	48,605,864	-	48,605,864
Unrestricted (Deficit)	45,491,587	218,242	45,709,829
<b>Total Net Assets</b>	<u>\$ 164,772,489</u>	<u>\$ 21,790,104</u>	<u>\$ 186,562,593</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 27,566,886	\$ 13,170,035	\$ 827,308	\$ 5,010,000
Public Safety	45,505,447	7,990,064	1,096,323	795,350
Public Works	21,017,930	7,016,889	552,578	27,480,577
Public Health	9,545,159	410,076	4,816,142	-
Public Welfare	2,082,811	16,525	478,095	-
Cultural and Recreation	11,682,973	2,809,504	542,074	-
Interest	10,691,835	-	-	-
<b>Total Governmental Activities</b>	<b>128,093,041</b>	<b>31,413,093</b>	<b>8,312,520</b>	<b>33,285,927</b>
<b>Business-Type Activities</b>				
Garage	4,778,275	4,913,862	-	-
Stormwater Utility	2,896,205	3,233,196	-	-
Lady's Island Airport	845,649	729,620	-	121,787
Hilton Head Airport	2,675,379	1,508,468	244,468	882,837
<b>Total Business-Type Activities</b>	<b>11,195,508</b>	<b>10,385,146</b>	<b>244,468</b>	<b>1,004,624</b>
<b>Total</b>	<b>\$ 139,288,549</b>	<b>\$ 41,798,239</b>	<b>\$ 8,556,988</b>	<b>\$ 34,290,551</b>
<b>General Revenues &amp; Transfers</b>				
Taxes				
Grants and Contributions Not Restricted				
Unrestricted Investment Earnings				
Transfers In / (Out)				
Miscellaneous				
<b>Total General Revenues &amp; Transfers</b>				
<b>Change in Net Assets</b>				
<b>Net Assets, Beginning</b>				
<b>Net Assets, Ending</b>				

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Totals
\$ (8,559,543)	\$ -	\$ (8,559,543)
(35,623,710)	-	(35,623,710)
14,032,114	-	14,032,114
(4,318,941)	-	(4,318,941)
(1,588,191)	-	(1,588,191)
(8,331,395)	-	(8,331,395)
<u>(10,691,835)</u>	<u>-</u>	<u>(10,691,835)</u>
<u>(55,081,501)</u>	<u>-</u>	<u>(55,081,501)</u>
-	135,587	135,587
-	336,991	336,991
-	5,758	5,758
-	<u>(39,606)</u>	<u>(39,606)</u>
-	<u>438,730</u>	<u>438,730</u>
<u>\$ (55,081,501)</u>	<u>\$ 438,730</u>	<u>\$ (54,642,771)</u>
\$ 81,399,195	\$ -	\$ 81,399,195
9,621,104	-	9,621,104
4,701,846	86,760	4,788,606
1,863,867	(1,863,867)	-
<u>9,342,263</u>	<u>270</u>	<u>9,342,533</u>
<u>106,928,275</u>	<u>(1,776,837)</u>	<u>105,151,438</u>
51,846,774	(1,338,107)	50,508,667
<u>112,925,715</u>	<u>23,128,211</u>	<u>136,053,926</u>
<u>\$ 164,772,489</u>	<u>\$ 21,790,104</u>	<u>\$ 186,562,593</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	County Wide General Obligation Bonds	Sales Tax Projects
<b><u>ASSETS</u></b>			
Cash and Equity in Pooled Cash and Investments	\$ 16,963,419	\$ 20,230,545	\$ 16,285,029
Receivables, Net	4,063,589	1,705,490	7,783,702
Due from Other Governments	2,750,352	49	-
Advances to Other Funds	3,473,685	-	-
Prepaid Expenditures	85,849	-	-
<b>Total Assets</b>	<b>\$ 27,336,894</b>	<b>\$ 21,936,084</b>	<b>\$ 24,068,731</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b>Liabilities</b>			
Accounts Payable	\$ 2,967,386	\$ -	\$ 1,169,501
Accrued Payroll	2,599,817	-	-
Due to Others	1,308,938	-	-
Deferred Property Tax Revenue	703,762	128,468	-
Deferred Revenue	-	-	-
<b>Total Liabilities</b>	<b>7,579,903</b>	<b>128,468</b>	<b>1,169,501</b>
<b><u>FUND BALANCE</u></b>			
Reserved for Encumbrances	827,243	-	20,771,536
Reserved for Capital Projects	-	-	2,127,694
Reserved for Debt Service	-	21,807,616	-
Unreserved	18,929,748	-	-
<b>Total Fund Balance</b>	<b>19,756,991</b>	<b>21,807,616</b>	<b>22,899,230</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 27,336,894</b>	<b>\$ 21,936,084</b>	<b>\$ 24,068,731</b>

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



<u>Real Property Program</u>	<u>Bluffton Parkway Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,929,631	\$ 3,361,646	\$ 84,984,397	\$ 144,754,667
210,000	323,912	2,502,421	16,589,114
-	-	2,885,902	5,636,303
-	-	-	3,473,685
-	-	5,868	91,717
<u>\$ 3,139,631</u>	<u>\$ 3,685,558</u>	<u>\$ 90,378,588</u>	<u>\$ 170,545,486</u>
\$ 9,446	\$ 55,141	\$ 5,254,971	\$ 9,456,445
-	-	331,211	2,931,028
-	-	347,385	1,656,323
-	-	48,430	880,660
-	-	5,622	5,622
<u>9,446</u>	<u>55,141</u>	<u>5,987,619</u>	<u>14,930,078</u>
-	1,283,116	17,404	22,899,299
3,130,185	2,347,301	24,722,348	32,327,528
-	-	26,798,248	48,605,864
-	-	32,852,969	51,782,717
<u>3,130,185</u>	<u>3,630,417</u>	<u>84,390,969</u>	<u>155,615,408</u>
<u>\$ 3,139,631</u>	<u>\$ 3,685,558</u>	<u>\$ 90,378,588</u>	<u>\$ 170,545,486</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2008

Total Governmental Fund Balances (Exhibit 3)	\$ 155,615,408
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	258,415,419
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred in governmental funds - property taxes	880,660
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in governmental funds	
Accrued Interest Payable	(3,648,037)
Current Portion of Long Term Debt	(6,476,701)
Accrued Compensated Absences	(2,763,940)
Net Other Post Employment Benefits Obligation	(3,241,930)
Long-term obligations	<u>(234,008,390)</u>
Net Assets of Governmental Activities	<u>\$ 164,772,489</u>

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



## Allée by Peggy Mac Bean

*"I had just come across the word allée in a mystery novel set in France, but hadn't made the connection with our Southern variety until I drove past this one. I did a double-take and made a probable illegal U-turn to take its picture in the early morning 'slant of light.' I love perspective shots anyway, especially ones like these that curve away into infinity."*

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2008

	County Wide		
	General	General Obligation Bonds	Sales Tax Projects
<b>Revenues</b>			
Taxes	\$ 60,474,820	\$ 9,107,612	\$ -
Licenses and Permits	3,894,583	-	-
Intergovernmental	8,649,634	187,213	25,531,506
Charges for Services	10,568,767	-	-
Fines and Forfeitures	1,029,600	-	-
Interest	1,015,196	787,746	399,212
Settlements	-	-	-
Miscellaneous	<u>565,823</u>	<u>1,444,824</u>	-
<b>Total Revenues</b>	<u>86,198,423</u>	<u>11,527,395</u>	<u>25,930,718</u>
<b>Expenditures</b>			
General Government	20,963,806	-	-
Public Safety	38,617,353	-	-
Public Works	15,946,656	-	-
Public Health	2,975,284	-	-
Public Welfare	931,321	-	-
Cultural and Recreation	8,658,731	-	-
Debt Service - Principal	-	6,685,000	-
Debt Service - Interest and Fees	-	5,731,747	-
Capital Projects	-	-	<u>6,846,156</u>
<b>Total Expenditures</b>	<u>88,093,151</u>	<u>12,416,747</u>	<u>6,846,156</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,894,728)	(889,352)	19,084,562
<b>Other Financing Sources (Uses)</b>			
Issuance of Bonds	-	17,530,000	-
Transfers In	2,251,087	4,075,128	-
Transfers Out	<u>(2,241,888)</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>9,199</u>	<u>21,605,128</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(1,885,529)	20,715,776	19,084,562
<b>Fund Balance at the Beginning of the Year</b>	<u>21,642,520</u>	<u>1,091,840</u>	<u>3,814,668</u>
<b>Fund Balance at the End of the Year</b>	<u>\$ 19,756,991</u>	<u>\$ 21,807,616</u>	<u>\$ 22,899,230</u>

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

Real Property Program	Bluffton Parkway Project	Nonmajor Governmental Funds	Totals Governmental Funds
\$ -	\$ -	\$ 11,336,960	\$ 80,919,392
-	-	11,349,933	15,244,516
5,010,000	-	11,841,198	51,219,551
-	-	4,311,877	14,880,644
-	-	258,333	1,287,933
488,149	134,620	1,876,923	4,701,846
-	-	6,503,786	6,503,786
7	-	1,080,906	3,091,560
<u>5,498,156</u>	<u>134,620</u>	<u>48,559,916</u>	<u>177,849,228</u>
-	-	3,318,141	24,281,947
-	-	4,012,204	42,629,557
-	-	3,558,404	19,505,060
-	-	6,673,427	9,648,711
-	-	621,330	1,552,651
-	-	705,935	9,364,666
-	-	930,000	7,615,000
-	-	4,387,498	10,119,245
<u>20,908,819</u>	<u>10,597,211</u>	<u>12,690,463</u>	<u>51,042,649</u>
<u>20,908,819</u>	<u>10,597,211</u>	<u>36,897,402</u>	<u>175,759,486</u>
(15,410,663)	(10,462,591)	11,662,514	2,089,742
20,000,000	5,500,000	-	43,030,000
-	-	12,516,563	18,842,778
-	-	(14,737,023)	(16,978,911)
<u>20,000,000</u>	<u>5,500,000</u>	<u>(2,220,460)</u>	<u>44,893,867</u>
4,589,337	(4,962,591)	9,442,054	46,983,609
<u>(1,459,152)</u>	<u>8,593,008</u>	<u>74,948,915</u>	<u>108,631,799</u>
<u>\$ 3,130,185</u>	<u>\$ 3,630,417</u>	<u>\$ 84,390,969</u>	<u>\$ 155,615,408</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008

Total Net Change in Fund Balances - Governmental Funds (Exhibit 4) \$ 46,983,609

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

Capital Outlay	54,716,472
Depreciation	(10,741,537)

In the statement of activities, the loss on disposal of capital assets is reported. Conversely, governmental funds do not report any gain or loss on disposal of capital assets.

Net Book Value of Capital Assets Disposed	(189,217)
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Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues in the governmental funds

Increase in Deferred Property Taxes	479,803
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The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions has any affect on net assets

Issuance of Long-Term Bonds	(43,030,000)
Bond Principal Payments	7,615,000
Capital Lease Principal Payments	30,497

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Increase in Accrued Interest	(573,289)
Increase in Accrued Compensated Absences	(202,634)
Increase in Other Post Employment Benefit Cost	<u>(3,241,930)</u>

Change in Net Assets of Governmental Activities	<u>\$ 51,846,774</u>
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The accompanying notes are an integral part of these financial statements.

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2008

	GENERAL			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 61,828,000	\$ 61,828,000	\$ 60,474,820	\$ (1,353,180)
Licenses and Permits	5,461,603	5,461,603	3,894,583	(1,567,020)
Intergovernmental	7,894,349	7,894,349	8,649,634	755,285
Charges for Services	11,649,817	11,649,817	10,568,767	(1,081,050)
Fines and Forfeitures	864,440	864,440	1,029,600	165,160
Interest	705,000	705,000	1,015,196	310,196
Miscellaneous	315,100	315,100	565,823	250,723
<b>Total Revenues</b>	<u>88,718,309</u>	<u>88,718,309</u>	<u>86,198,423</u>	<u>(2,519,886)</u>
<b>Expenditures</b>				
General Government	23,054,464	21,512,717	20,963,806	548,911
Public Safety	39,010,991	39,941,525	38,617,353	1,324,172
Public Works	16,727,486	17,557,837	15,946,656	1,611,181
Public Health	2,665,656	3,067,186	2,975,284	91,902
Public Welfare	471,585	986,085	931,321	54,764
Cultural and Recreation	8,693,301	8,828,337	8,658,731	169,606
<b>Total Expenditures</b>	<u>90,623,483</u>	<u>91,893,687</u>	<u>88,093,151</u>	<u>3,800,536</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,905,174)	(3,175,378)	(1,894,728)	1,280,650
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,957,500	5,812,500	2,251,087	(3,561,413)
Transfers Out	(3,060,572)	(3,060,572)	(2,241,888)	818,684
<b>Total Other Financing Sources (Uses)</b>	<u>1,896,928</u>	<u>2,751,928</u>	<u>9,199</u>	<u>(2,742,729)</u>
<b>Net Change in Fund Balance</b>	(8,246)	(423,450)	(1,885,529)	(1,462,079)
<b>Fund Balance at the Beginning of the Year</b>	<u>21,642,520</u>	<u>21,642,520</u>	<u>21,642,520</u>	<u>-</u>
<b>Fund Balance at the End of the Year</b>	<u>\$ 21,634,274</u>	<u>\$ 21,219,070</u>	<u>\$ 19,756,991</u>	<u>\$ (1,462,079)</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Garage	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash and Investments with Trustee	\$ 2,169	\$ 1,390,763	\$ 372	\$ 200	\$ 1,393,504
Receivables, Net	313,459	371,112	68,072	479,028	1,231,671
Internal Balances	-	-	(240,000)	240,000	-
Inventories	135,650	109,102	59,515	-	304,267
Prepayments	71,726	-	-	-	71,726
<b>Total Current Assets</b>	<b>523,004</b>	<b>1,870,977</b>	<b>(112,041)</b>	<b>719,228</b>	<b>3,001,168</b>
Capital Assets	417,789	2,431,367	3,967,504	23,121,164	29,937,824
Accumulated Depreciation	(186,611)	(998,813)	(568,124)	(4,849,640)	(6,603,188)
	231,178	1,432,554	3,399,380	18,271,524	23,334,636
<b>Total Assets</b>	<b>\$ 754,182</b>	<b>\$ 3,303,531</b>	<b>\$ 3,287,339</b>	<b>\$ 18,990,752</b>	<b>\$ 26,335,804</b>
 <b><u>LIABILITIES</u></b>					
<b>Liabilities</b>					
Account Payable	566,007	23,895	82,624	74,018	746,544
Accrued Payroll	1,933	63,682	4,922	37,665	108,202
<b>Current Portion of Advances</b>					
Payable to General Fund	-	-	103,849	1,646,184	1,750,033
<b>Total Current Liabilities</b>	<b>567,940</b>	<b>87,577</b>	<b>191,395</b>	<b>1,757,867</b>	<b>2,604,779</b>
<b>Long Term Liabilities</b>					
Accrued Compensated Absences	145	44,457	1,759	31,050	77,411
Net Other Postemployment					
Benefits Obligation	2,797	95,104	2,797	39,160	139,858
Advances Payable to General Fund	-	-	-	1,723,652	1,723,652
<b>Total Long Term Liabilities</b>	<b>2,942</b>	<b>139,561</b>	<b>4,556</b>	<b>1,793,862</b>	<b>1,940,921</b>
<b>Total Liabilities</b>	<b>570,882</b>	<b>227,138</b>	<b>195,951</b>	<b>3,551,729</b>	<b>4,545,700</b>
 <b><u>NET ASSETS</u></b>					
<b>Invested in Capital Assets, Net</b>					
of Related Debt	231,178	1,432,554	3,399,380	16,508,750	21,571,862
Unrestricted (Deficit)	(47,878)	1,643,839	(307,992)	(1,069,727)	218,242
<b>Total Net Assets</b>	<b>\$ 183,300</b>	<b>\$ 3,076,393</b>	<b>\$ 3,091,388</b>	<b>\$ 15,439,023</b>	<b>\$ 21,790,104</b>

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



BEAUFORT COUNTY, SOUTH CAROLINA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2008

	Garage	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals
Operating Revenues					
Garage Billings	\$ 1,773,853	\$ -	\$ -	\$ -	\$ 1,773,853
Fuel and Oil Sales	3,140,009	-	599,504	-	3,739,513
Stormwater Utility Fees	-	2,910,758	-	-	2,910,758
Stormwater Utility Project Billings	-	316,307	-	-	316,307
Hanger Leases	-	-	-	30,000	30,000
FBO Concessions	-	-	-	22,005	22,005
FBO Fuel Comission	-	-	-	96,985	96,985
Concession Sales	-	-	8,362	-	8,362
Firefighting Fees	-	-	-	267,911	267,911
Landing Fees	-	-	14,894	196,266	211,160
Parking/Taxi Fees	-	-	-	45,245	45,245
Rentals	-	-	106,852	827,399	934,251
Passenger Facilities Charges	-	-	-	101,257	101,257
TSA Revenues	-	-	-	143,211	143,211
Other Charges	-	6,131	8	22,657	28,796
<b>Total Operating Revenues</b>	<b>4,913,862</b>	<b>3,233,196</b>	<b>729,620</b>	<b>1,752,936</b>	<b>10,629,614</b>
Operating Expenses					
Costs of Sales and Services	2,893,750	-	438,114	-	3,331,864
Personnel	52,880	1,677,522	109,969	936,470	2,776,841
Purchased Services	1,793,146	385,734	166,559	579,634	2,925,073
Supplies	11,925	539,600	13,371	54,939	619,835
Depreciation	26,574	293,349	53,412	633,282	1,006,617
<b>Total Operating Expenses</b>	<b>4,778,275</b>	<b>2,896,205</b>	<b>781,425</b>	<b>2,204,325</b>	<b>10,660,230</b>
Operating Income (Loss)	135,587	336,991	(51,805)	(451,389)	(30,616)
Non-Operating Revenues (Expenses)					
FAA Grants	-	-	90,703	864,230	954,933
SCAC Grants	-	-	31,084	18,607	49,691
Non-Operating Grant Expenditures	-	-	(64,224)	(376,873)	(441,097)
Transfers Out	-	-	(63,867)	(1,800,000)	(1,863,867)
Gain (Loss) on Sale of Property and Equipment	270	-	-	-	270
Interest Earned	-	19,681	-	67,079	86,760
Interest Expense	-	-	-	(94,181)	(94,181)
<b>Total Non-Operating Revenues</b>	<b>270</b>	<b>19,681</b>	<b>(6,304)</b>	<b>(1,321,138)</b>	<b>(1,307,491)</b>
Change in Net Assets	135,857	356,672	(58,109)	(1,772,527)	(1,338,107)
Net Assets, Beginning	47,443	2,719,721	3,149,497	17,211,550	23,128,211
Net Assets, Ending	<u>\$ 183,300</u>	<u>\$ 3,076,393</u>	<u>\$ 3,091,388</u>	<u>\$ 15,439,023</u>	<u>\$ 21,790,104</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2008

	Garage	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers and Users	\$ 4,861,323	\$ 2,888,009	\$ 877,109	\$ 2,176,480	\$ 10,780,921
Cash Paid to Employees	(49,474)	(1,552,309)	(105,794)	(893,291)	(2,600,868)
Cash Paid to Suppliers	<u>(4,687,834)</u>	<u>(1,008,569)</u>	<u>(828,878)</u>	<u>(1,215,642)</u>	<u>(7,740,923)</u>
	124,015	305,131	(57,563)	67,547	439,130
<b>Cash Flows from Capital and Related Financing Activities:</b>					
FAA Grants	-	-	90,703	864,230	954,933
SCAC Grants	-	-	31,084	18,607	49,691
Non-Operating Grant Expenditures	-	-	(64,224)	(376,873)	(441,097)
Proceeds from Sale of Capital Assets	270	-	-	-	270
Purchase of Capital Assets	(122,116)	(109,556)	-	(126,991)	(358,663)
Principal Payment on Debt	-	-	-	(419,418)	(419,418)
Interest Paid on Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,181)</u>	<u>(94,181)</u>
	<u>(121,848)</u>	<u>(109,556)</u>	<u>57,563</u>	<u>(134,626)</u>	<u>(308,465)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest Earned	<u>-</u>	<u>19,681</u>	<u>-</u>	<u>67,079</u>	<u>86,760</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,169</b>	<b>215,256</b>	<b>-</b>	<b>-</b>	<b>217,425</b>
Cash and Cash Equivalents, July 1, 2007	<u>-</u>	<u>1,175,507</u>	<u>372</u>	<u>200</u>	<u>1,176,079</u>
Cash and Cash Equivalents, June 30, 2008	<u>\$ 2,169</u>	<u>\$ 1,390,763</u>	<u>\$ 372</u>	<u>\$ 200</u>	<u>\$ 1,393,504</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2008

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ 135,587	\$ 336,991	\$ (51,805)	\$ (451,389)	\$ (30,616)
Adjustments to Reconcile:					
Depreciation	<u>26,574</u>	<u>293,349</u>	<u>53,412</u>	<u>633,282</u>	<u>1,006,617</u>
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(52,539)	(367,187)	147,489	423,544	151,307
(Increase) Decrease in Inventories	(64,540)	-	(28,820)	-	(93,360)
Increase (Decrease) in Accounts Payable	75,527	(83,235)	(182,014)	(581,069)	(770,791)
Increase (Decrease) in Accrued Payroll	464	(14,348)	(381)	(27,031)	(41,296)
Increase (Decrease) in Accrued					
Compensated Absences	145	44,457	1,759	31,050	77,411
Increase (Decrease) in Net Other					
Postemployment Benefits Obligation	<u>2,797</u>	<u>95,104</u>	<u>2,797</u>	<u>39,160</u>	<u>139,858</u>
	<u>(38,146)</u>	<u>(325,209)</u>	<u>(59,170)</u>	<u>(114,346)</u>	<u>(536,871)</u>
Net Cash Flow from Operating Activities	<u>\$ 124,015</u>	<u>\$ 305,131</u>	<u>\$ (57,563)</u>	<u>\$ 67,547</u>	<u>\$ 439,130</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
June 30, 2008

ASSETS

Cash and Equity in Pooled Cash and Investments	<u>\$ 91,176,012</u>
Total Assets	<u>91,176,012</u>

LIABILITIES

Due to Agency	<u>91,176,012</u>
Total Liabilities	<u>91,176,012</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies

The financial statements of Beaufort County, South Carolina, have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statement and interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

Reporting Entity

Beaufort County operates under the Council/Administrator form of government with Council members elected for four-year terms from each of the eleven single-member districts. This report includes all funds of Beaufort County that are controlled by this governing body, and are considered to be the "reporting entity" known as Beaufort County.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities for the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources management focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The county wide general obligation bond fund accounts for the expenditures of the bond proceeds of the bonds issued for various capital projects throughout the County.

The sales tax projects fund accounts for the expenditure of the 1% local sales tax referendum proceeds which are used for various capital projects throughout the County.

The real property purchase program fund accounts for the expenditure of bond proceeds of the bonds issued for the purchase of rural and critical lands within the County.

The Bluffton Parkway project fund accounts for the expenditure of the bond proceeds of the bonds issued for the construction of the Bluffton Parkway and for improvements to the Buckwalter Parkway.

The County reports the following major enterprise funds:

The garage fund accounts for the activities of the County's garage operations.

The stormwater utility fund accounts for the activities of the County's stormwater utility operations.

The Lady's Island Airport fund accounts for the activities of the County's airport operations on Lady's Island.

The Hilton Head Island Airport fund accounts for the activities of the County's airport operations on Hilton Head Island.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

Additionally, the government reports the following fund types:

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Agency Funds

The agency funds account for monies held on behalf of school districts, special districts, and other agencies that use the County as a depository or property taxes are collected on behalf of the other governments.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's garage function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amount reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and *expenses* from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restriction imposed by creditors, grantors, laws, or regulations of other governments. Net assets invested in capital assets net of related debt were as follows:

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

Net Capital Assets	\$	258,415,419
Less: Current Portion of Long Term Debt		(6,476,701)
Long Term Obligations		(234,008,390)
Add Unspent Bond Proceeds: Sales Tax Projects		22,899,230
Real Property Program		3,130,185
Bluffton Parkway Project		3,630,417
Capital Projects Funds		<u>23,084,878</u>
	\$	<u>70,675,038</u>

Deferred revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Equity in Pooled Cash and Investments - The County maintains a pooled cash and investment account for all funds for accounting and investment purposes. This gives the County the ability to invest idle cash for short periods of time and to earn the most favorable available rate of return. The "equity in pooled cash and investments" represents the amount of pooled cash and investments owned by each fund of the County. Certain individual funds may reflect a cash deficit, from time to time. These cash deficits are not considered an equity transfer since the transfer has not been approved by County Council and is considered to be temporary in nature.

Investments - Investments consist of certificates of deposit and repurchase agreements. With the majority of the County's investments maturing in less than 1 year, all investments are recorded at cost, which approximates market value.

Receivables - All receivables are reported at their gross value and when appropriate, are reduced by the estimated portion that is uncollectible.

Inventories - Inventories consist of fuels and supplies (enterprise funds) and are stated at the lower of "first-in, first-out" cost or market.

Capital Assets - Capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is calculated on the straight-line basis starting in the month of purchase/completion over the following estimated useful lives:

Buildings	25 years
Improvements	25 years
Infrastructure	25 years
Equipment	5 – 10 years

Long-Term Obligations - In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.



BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as bond proceeds. Premiums received on debt issuances are reported as interest on investments while discounts and issuance costs are reported as interest and fees expenditures.

Compensated Absences – The County accrues compensated absences and associated employee-related costs when earned by the employee.

Due to and from Other Funds/Internal Balances– Interfund receivables and payables in the fund financial statements and internal balances in the government-wide financial statements arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Revenues – Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied.

Expenditures – Expenditures are recognized when the related fund liability is incurred.

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 County's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Budgets and Budgetary Accounting - The County uses GAAP as the basis for its budgeting and uses the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) The County Administrator submits to County Council, prior to June 1, proposed operating, special revenue, debt service, and capital improvement (CIP) budgets for the fiscal year commencing July 1. The operating, special revenue, debt service, and CIP budgets include proposed expenditures, revenues, and financing sources.
- (2) The Council requires such changes to be made as it deems necessary, provided the budget remains in balance and is subject to the notice of hearing requirements of Section 4-9-140 of the South Carolina Statutes.
- (3) Public hearings are held pursuant to Section 4-9-140 of the South Carolina Statutes in order for the Council to adopt the tentative and final budget.
- (4) Prior to July 1, the operating, special revenue, debt service and CIP budgets are legally enacted through passage of an ordinance setting forth anticipated revenues and appropriations by fund.
- (5) The County Administrator or his designee is authorized to transfer funds among operating accounts or among capital accounts within a department. All transfers between departments and programs or between operating and capital accounts must be authorized by the Council in accordance with Section 4-9-140 of the South Carolina Statutes. In accordance with County Ordinance #2006/14, Section 12, amounts of \$10,000 or less can be approved by the Council Chairman and/or Council Finance Committee Chairman; transfers of \$5,000 or less can be approved by the County Administrator and/or his designee.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies – Continued:

- (6) Formal budgetary integration is employed as a measurement control device for all governmental funds of the County. The level on which expenditures may not legally exceed appropriations is the fund level.
- (7) Budgets for the governmental fund types are adopted on a basis consistent with generally accepted accounting principles.
- (8) Revenues in excess of the current budget ordinance may be expended as directed by the revenue source or for the purpose for which the funds were generated without further approval by County Council, as per Section 14 of County Ordinance #2006/14.

2. Cash and Equity in Pooled Cash and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk. At June 30, 2008, the carrying amount of the County's deposits was \$28,151,959 and the bank balance was \$25,146,322. State law requires that all of the County's deposits be covered by FDIC insurance or by collateral held by the pledging financial institutions' trust department in the County's name.

Investments

As of June 30, 2008, the County has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment maturities (in years)</u>	
		<u>Less than 1</u>	<u>1 - 5</u>
US Treasury Obligations	\$ 2,728,847	\$ 2,728,847	\$ -
US Government Agency Obligations	<u>199,149,403</u>	<u>196,140,013</u>	<u>3,009,390</u>
	201,878,250	198,868,860	3,009,390
 South Carolina Local Government			
Investment Pool	<u>7,293,974</u>	<u>7,293,974</u>	<u>-</u>
	<u>\$209,172,224</u>	<u>\$206,162,834</u>	<u>\$ 3,009,390</u>

Interest Rate Risk

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

Credit Risk

The County has no investment policy that would further limit its investment choices other than state law. As of June 30, 2008, the underlying security ratings of the County's investment in the South Carolina Local Government Investment Pool (LGIP) may be obtained from the LGIP's complete financial statements. These financial statements may be obtained by writing to the following address:

The State Treasurer's Office  
Local Government Investment Pool  
Post Office Box 11778  
Columbia, SC 29211

The County's investments in U.S. Government Agency Obligations were rated Aa by Moody's Investors Services.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

2. Cash and Equity in Pooled Cash and Investments – Continued:

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. As of June 30, 2008, the County had investments with three issuers that exceeded 5% of total investments.

3. Receivables/Due from Other Governments

All property taxes receivable are shown net of allowances for uncollectibles. The County considers all taxes to be collectible; therefore, no allowance for uncollectibles has been established.

The following details receivables-net by fund:

	General Fund	County Wide General Obligation Bonds	Sales Tax Projects
Property Tax Receivable	\$ 745,743	\$ 149,879	\$ -
Licenses and Fees Receivable	74,678	-	-
Accounts Receivable - Other	<u>1,762,774</u>	<u>1,555,611</u>	<u>7,783,702</u>
	<u>\$ 4,063,589</u>	<u>\$ 1,705,490</u>	<u>\$ 7,783,702</u>
	Real Property Program	Bluffton Parkway Project	Nonmajor Governmental Funds
Property Tax Receivable	\$ -	\$ -	\$ 51,458
Licenses and Fees Receivable	-	-	1,443,805
Accounts Receivable - Other	<u>210,000</u>	<u>323,912</u>	<u>1,007,158</u>
	<u>\$ 210,000</u>	<u>\$ 323,912</u>	<u>\$ 2,502,421</u>

Key dates in the property tax cycle for tax year 2007 are as follows:

Assessment Date	2004
Property Taxes Levied	September 3, 2007
Tax Bills Rendered	October 1, 2007
Property Taxes Payable	March 16, 2008
Delinquency Date	March 17, 2008
Tax Sale Dates	October 6 - 7, 2008

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

3. Receivables/Due from Other Governments – Continued:

The following details the due from other governments by fund:

	General Fund	County Wide General Obligation Bonds	Nonmajor Governmental Funds
State Aid to Subdivisions	\$ 2,003,755	\$ 49	\$ -
General Government Programs	746,597	-	184,556
Public Safety Programs	-	-	585,142
Public Works Programs	-	-	1,258,394
Alcohol & Drug Programs	-	-	55,388
Disabilities and Special Needs Programs	-	-	24,488
Public Welfare Programs	-	-	18,881
Cultural & Recreational Programs	-	-	59,515
2005 Bond Projects	-	-	699,538
	<u>\$ 2,750,352</u>	<u>\$ 49</u>	<u>\$ 2,885,902</u>

4. Capital Assets

Governmental Activities

	Balance June 30, 2007	Additions	Disposals or Transfers	Balance June 30, 2008
<b>Capital Assets not Being Depreciated:</b>				
Land & Easements	\$ 54,310,250	\$ 21,574,623	\$ -	\$ 75,884,513
Construction in Progress	<u>29,618,525</u>	<u>33,242,802</u>	<u>47,700,965</u>	<u>15,160,362</u>
Total Capital Assets not Being Depreciated	<u>83,928,775</u>	<u>54,817,085</u>	<u>47,700,965</u>	<u>91,044,875</u>
<b>Other Capital Assets:</b>				
Buildings & Improvements	125,903,725	4,435,711	206,740	130,132,696
Infrastructure	37,016,835	34,727,071	-	71,743,906
Equipment	<u>34,971,638</u>	<u>8,437,590</u>	<u>994,592</u>	<u>42,414,636</u>
Total Other Capital Assets	197,892,198	47,600,372	1,201,332	244,291,238
<b>Accumulated Depreciation –</b>				
Buildings & Improvements	38,414,396	5,029,482	200,218	43,243,660
<b>Accumulated Depreciation –</b>				
Infrastructure	3,724,087	2,174,895	-	5,898,982
<b>Accumulated Depreciation –</b>				
Equipment	<u>25,052,789</u>	<u>3,537,160</u>	<u>811,897</u>	<u>27,778,052</u>
Total Accumulated Depreciation	<u>67,191,272</u>	<u>10,741,537</u>	<u>1,012,115</u>	<u>76,920,694</u>
Other Capital Assets, Net	<u>130,700,926</u>	<u>36,858,835</u>	<u>189,217</u>	<u>167,370,544</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 214,629,701</u>	<u>\$ 91,675,900</u>	<u>\$ 47,890,182</u>	<u>\$ 258,415,419</u>

For the capital assets of the governmental activities, depreciation is computed on the straight-line method of depreciation over the estimated useful lives of the assets, which range from five to twenty-five years. Depreciation expense for the year ended June 30, 2008 was \$10,741,537 and the accumulated depreciation as of June 30, 2008 was \$76,920,694.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

4. Capital Assets – Continued:

The depreciation expense was allocated as follows:

General Government	\$ 2,605,845
Public Safety	3,175,223
Public Works	2,887,090
Public Health	80,493
Public Welfare	189,077
Cultural and Recreation	<u>1,803,809</u>
Total	<u>\$10,741,537</u>

Business-Type Activities

	Balance June 30, 2007	<u>Additions</u>	Disposals or Transfers	Balance June 30, 2008
Capital Assets not Being Depreciated:				
Land & Easements	\$ 13,802,425	\$ -	\$ -	\$ 13,802,425
Construction in Progress	<u>63,867</u>	<u>623,634</u>	<u>634,342</u>	<u>53,159</u>
Total Capital Assets not Being Depreciated	<u>13,866,292</u>	<u>623,634</u>	<u>634,342</u>	<u>13,855,584</u>
Other Capital Assets:				
Buildings & Improvements	11,499,363	228,945	-	11,728,308
Equipment	<u>4,411,370</u>	<u>76,559</u>	<u>133,998</u>	<u>4,353,931</u>
Total Other Capital Assets	15,910,733	305,504	133,998	16,082,239
Accumulated Depreciation –				
Buildings & Improvements	3,894,579	469,035	-	4,363,614
Accumulated Depreciation –				
Equipment	<u>1,835,989</u>	<u>537,582</u>	<u>133,998</u>	<u>2,239,573</u>
Total Accumulated Depreciation	<u>5,730,568</u>	<u>1,006,617</u>	<u>133,998</u>	<u>6,603,187</u>
Other Capital Assets, Net	<u>10,180,165</u>	<u>(701,113)</u>	-	<u>9,479,052</u>
Business-Type Activities Capital Assets, Net	<u>\$24,046,457</u>	<u>\$ (77,479)</u>	<u>\$ 634,342</u>	<u>\$ 23,334,636</u>

For the capital assets of the business-type activities, depreciation is computed on the straight-line method of depreciation over the estimated useful lives, which range from five to twenty-five years, of the assets. Depreciation expense for the year ended June 30, 2008 was \$989,822 and the accumulated depreciation as of June 30, 2008 was \$6,603,187.

The depreciation expense was allocated as follows:

Garage	\$ 26,574
Stormwater Utility	293,349
Lady's Island Airport	53,412
Hilton Head Airport	<u>633,282</u>
Total	<u>\$1,006,617</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

5. Long-Term Obligations

	Governmental Activities	Business-type Activities
General Obligation Bonds	\$ 177,515,000	\$ -
TIF Revenue Bonds	62,760,000	-
Note Payable	-	1,762,774
Capital Leases	210,091	-
	\$ <u>240,485,091</u>	\$ <u>1,762,774</u>

General Obligation Bonds

In June 1999, the County issued \$9,100,000 in General Obligation bonds, bearing interest rates of 4.60% to 5.25% and with varying maturity dates through 2008. The proceeds of these bonds were used for various County projects including the purchase of development rights on Lemon Island, the construction of the Buckwalter Parkway, the minor renovations of various County buildings and park facilities, and other governmental projects within the County. These bonds were retired during the 2008 fiscal year.

In April 2001, the County issued \$30,000,000 in General Obligation bonds, bearing interest rates of 4.375% to 5.25% and with varying maturity dates through 2020. The proceeds of these bonds were used as follows: \$10,000,000 for the purchase of real property programs as approved by referendum in November 2000, \$10,000,000 to pay the bond anticipation notes issued May 2000, and \$10,000,000 for various County projects including the purchase of telecommunications equipment, the construction of additional facilities for the Detention Center, the construction of additional hangars at the Lady's Island Airport, and for other governmental projects within the County.

In May 2002, the County issued \$25,100,000 in General Obligation bonds, bearing interest rates of 3.0% to 4.875% and with varying maturity dates through 2022. The proceeds of these bonds were used as follows: \$10,950,000 to pay off the outstanding bonds and related costs of the 1993 General Obligation issue and \$14,000,000 for various County projects to include the purchase of telecommunications equipment, improvements to various county parks, construction of solid waste drop off centers, and for other government construction projects within the County.

In June 2003, the County issued \$25,500,000 in General Obligation bonds, bearing interest rates of 2.0% to 5.0% and with varying maturities through 2023. The proceeds of these bonds were used as follows: \$10,000,000 for the purchase of real property program as approved by referendum in November 2000, \$5,000,000 for paving and improving roads within the County, and \$10,500,000 for various County projects including the purchase of telecommunications equipment, improvements to various County parks, and for other governmental construction projects within the County.

In November 2004, the County issued \$30,500,000 in General Obligation bonds bearing interest rates of 3.0% to 5.0% and with varying maturities through 2025. The proceeds of these bonds were used as follows: \$20,000,000 for the purchase of real property program as approved by referendum in November 2000, and \$10,500,000 for various County projects including the purchase of various public works and public safety vehicles, improvements to various County parks, and for other governmental construction projects within the County.

In November 2006, the County issued \$17,500,000 in General Obligation bonds bearing interest rates of 3.5% to 8.0% and with varying maturities through 2026. The proceeds of these bonds were used for various County projects.

In December 2006, the County issued \$30,000,000 in General Obligation bonds bearing interest rates of 4.0% to 6.75% and with varying maturities through 2026. The proceeds of these bonds were used to "pay off" the County's Bond Anticipation Notes of \$25,000,000 and provide additional funds for the construction of the Bluffton Parkway Project.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long Term Obligations – Continued:

In September 2007, the County issued \$25,500,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2027. \$20,000,000 of the proceeds of these bonds was used for the County's rural and critical lands projects, as approved by referendum in November 2006, and the remaining \$5,500,000 of the proceeds of these bonds was used for the Buckwalter Parkway extension.

In October 2007, the County issued \$17,530,000 of General Obligation Bonds bearing interest rates of 4.0% to 5.0% and with varying maturity dates through 2020. The proceeds of these bonds were used for various County projects.

The 2001, 2002, 2003, 2005, 2006, 2006B, 2007, and 2007B general obligation bonds are collateralized by the full faith and credit of the County and are payable from ad valorem taxes.

General obligation bonds accounted for in the County's Statement of Net Assets consist of the following at June 30, 2008:

<u>Description</u>	<u>Rates and Dates</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding at June 30, 2008</u>
1999 Improvement Bonds	4.6% - 5.25% 2/1 and 8/1	2008	\$ 9,100,000	\$ -
2001 County Bonds	4.375% - 5.25% 2/1 and 8/1	2020	30,000,000	21,690,000
2002 County Bonds	3.0% - 4.875% 2/1 and 8/1	2022	25,100,000	15,380,000
2003 County Bonds	2.0% - 5.0% 2/1 and 8/1	2023	25,500,000	21,750,000
2005 County Bonds	3.0% - 5.0% 2/1 and 8/1	2025	30,500,000	29,900,000
2006 County Bonds	3.5% - 8.0% 3/1 and 9/1	2026	17,500,000	16,650,000
2006B County Bonds	4.0% - 6.75% 3/1 and 9/1	2026	30,000,000	29,500,000
2007 County Bonds	4.0% - 5.0% 3/1 and 9/1	2026	25,500,000	25,350,000
2007B County Bonds	4.0% - 5.0% 2/1 and 8/1	2026	<u>17,530,000</u>	<u>17,295,000</u>
			<u>\$210,730,000</u>	<u>\$ 177,515,000</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long Term Obligations – Continued:

A schedule of the debt servicerequirements associated with the general obligation bonds follows:

<u>Fiscal Year Ending</u>	<u>2001 Improvement Bonds</u>	<u>2002 County Bonds</u>	<u>2003 County Bonds</u>	<u>2005 County Bonds</u>	<u>2006 County Bonds</u>
2009	\$ 2,493,004	\$ 2,298,225	\$ 1,773,500	\$ 1,667,875	\$ 1,203,313
2010	2,493,079	2,587,025	1,803,250	1,808,875	1,235,813
2011	2,489,869	2,568,525	1,828,312	1,795,875	1,266,563
2012	2,481,019	1,111,525	1,899,563	1,781,875	1,292,563
2013	2,476,519	1,113,681	1,966,563	1,917,250	1,319,000
2014-2018	12,265,857	5,597,375	10,409,815	10,976,750	6,836,125
2019-2023	4,849,425	4,532,175	10,467,939	18,541,250	7,035,250
2024-2027	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,572,500</u>	<u>4,235,750</u>
Total	29,548,772	20,108,531	30,148,943	48,061,750	24,424,377
Less Amount Representing Interest	<u>7,858,772</u>	<u>4,728,531</u>	<u>8,398,943</u>	<u>18,161,750</u>	<u>7,774,377</u>
Net	<u>\$ 21,690,000</u>	<u>\$15,380,000</u>	<u>\$21,750,000</u>	<u>\$29,900,000</u>	<u>\$16,650,000</u>

<u>Fiscal Year Ending</u>	<u>2006B County Bonds</u>	<u>2007 County Bonds</u>	<u>2007B County Bonds</u>	<u>Total</u>
2009	\$ 1,841,250	\$ 1,400,031	\$ 783,500	\$13,760,698
2010	1,917,250	1,514,031	781,900	14,141,223
2011	1,989,250	1,623,031	785,300	14,346,226
2012	2,057,250	1,727,031	2,368,500	14,719,326
2013	2,151,250	1,826,031	2,363,300	15,103,594
2014-2018	11,500,250	10,248,655	11,614,300	79,449,127
2019-2023	14,044,250	11,436,312	4,580,000	75,486,601
2024-2027	<u>8,664,125</u>	<u>9,906,626</u>	<u>-</u>	<u>32,379,001</u>
Total	44,134,875	39,681,748	23,276,800	259,385,796
Less Amount Representing Interest	<u>14,634,875</u>	<u>14,331,778</u>	<u>5,981,800</u>	<u>81,870,796</u>
Net	<u>\$ 29,500,000</u>	<u>\$25,350,000</u>	<u>\$17,295,000</u>	<u>\$177,515,000</u>

Total interest paid on bonds outstanding for the year ended June 30, 2008 was \$6,887,885.



BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long Term Obligations – Continued:

The following is a schedule of principal payments for all general obligation bonds:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2009	\$ 5,930,000
2010	6,530,000
2011	7,000,000
2012	7,645,000
2013	8,335,000
2014-2018	51,720,000
2019-2023	60,630,000
2024-2027	<u>29,725,000</u>
Total	\$ <u>177,515,000</u>

Tax Increment Financing Revenue Bonds

In December 2002, the County issued \$40,000,000 in Tax Increment Financing Revenue Bonds for the New River TIF District, bearing interest rates of 3.0% to 5.5% and with varying maturities through 2027. The proceeds of these bonds were used to provide infrastructure and other improvements within the Tax Increment Financing District, including buildings for both the University of South Carolina – Beaufort and the Technical College of the Lowcountry.

In November 2003, the County issued \$23,680,000 in Tax Increment Revenue Bonds for the Bluffton TIF District, bearing interest rates of 2.0% to 5.0% and with varying maturities through 2028. The proceeds of these bonds were used to pay the outstanding bond anticipation note and to provide infrastructure improvements within the Tax Increment Financing District.

The following is a schedule of the debt service requirements:

<u>Fiscal Year Ending</u>	<u>New River TIF</u>	<u>Bluffton TIF</u>	<u>Total</u>
2009	\$ 2,286,382	\$ 1,334,955	\$ 3,621,337
2010	2,546,463	1,395,790	3,950,063
2011	2,813,262	1,489,150	4,302,412
2012	2,993,463	1,575,275	4,568,738
2013	3,172,350	1,731,275	4,903,625
2014-2018	17,506,450	10,048,550	27,555,000
2019-2023	18,226,325	14,221,250	32,447,575
2024-2028	<u>14,934,750</u>	<u>5,582,250</u>	<u>20,517,000</u>
Total	64,479,445	37,386,305	101,865,750
Less Amount Representing Interest	<u>24,929,445</u>	<u>14,176,305</u>	<u>39,105,750</u>
Net	<u>\$39,550,000</u>	<u>\$23,210,000</u>	<u>\$62,760,000</u>

Total interest paid on bonds outstanding for the year ended June 30, 2008 as \$3,118,698.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long Term Obligations - Continued:

Notes Payable

In September 2000, the County issued a note for \$1,325,000 for the balance owed on the purchase of land for the Hilton Head Island Airport. The note was payable in annual payments of \$205,836, including interest at 5.1% through September 2008, however the note was paid off in full during the 2008 fiscal year.

Advances from the General Fund

In September 2007, the County issued a note for \$1,800,000 for the balance owed for the construction of hangers at the Hilton Head Island Airport. The note was payable in quarterly payments of \$31,634, including interest at 5.0 % through June 2032. The current portion of this note as of June 30, 2008 was \$39,122. Advances from the general fund also included \$1,710,911 at June 30, 2008 for advances for certain operating expenses.

Capital Leases

As of June 30, 2008, the County has one lease-purchase agreement to purchase communication equipment with a lease term of 10 years and an interest rate of 3.95%. The communication equipment under this capital lease is included in the equipment in Note 4.

The following is a schedule of future minimum lease payments under this capital lease, together with the present value of net minimum lease payments at June 30, 2008.

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2009	\$ 40,000
2010	40,000
2011	40,000
2012	40,000
2013	40,000
2014	<u>40,000</u>
Total	240,000
Less Amount Representing Interest	<u>29,909</u>
Net	<u>\$ 210,091</u>

The County records capital lease payments as current year expenditures in the fund to which the lease applies. The liability for capital leases and the associated assets are recorded.

Total interest paid on capital leases for the year ended June 30, 2008 was approximately \$9,503 which was recorded as an expenditure in the Special Revenue Fund for E-911 equipment.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

5. Long Term Obligations - Continued:

Governmental Activities Changes in Long-Term Obligations

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
General Obligation Bonds	\$ 141,670,000	\$ 43,030,000	\$ 7,185,000	\$ 177,515,000
TIF Revenue Bonds	63,190,000	-	430,000	62,760,000
Capital Leases	<u>240,588</u>	<u>-</u>	<u>30,497</u>	<u>210,091</u>
Totals	<u>\$ 205,100,588</u>	<u>\$ 43,030,000</u>	<u>\$ 7,645,497</u>	<u>\$ 240,485,091</u>

Business-Type Activities Changes in Long-Term Obligations

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Notes Payable	<u>\$ 382,191</u>	<u>\$ 1,800,000</u>	<u>\$ 419,417</u>	<u>\$ 1,762,774</u>

Combined Changes in Long-Term Obligations

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
General Obligation Bonds	\$ 141,670,000	\$ 43,030,000	\$ 7,185,000	\$ 177,515,000
TIF Revenue Bonds	63,190,000	-	430,000	62,760,000
Notes Payable	382,191	1,800,000	419,417	1,762,774
Capital Leases	<u>240,588</u>	<u>-</u>	<u>30,497</u>	<u>210,091</u>
Totals	<u>\$ 205,482,779</u>	<u>\$ 44,830,000</u>	<u>\$ 8,064,914</u>	<u>\$ 242,247,865</u>

Current Portion of Long Term Obligations

The current portion of long term obligations is computed as follows:

General Obligations Bonds	\$ 5,930,000
TIF Revenue Bonds	515,000
Notes Payable	39,122
Capital Leases	<u>31,701</u>
	<u>\$ 6,515,823</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

6. Accrued Compensated Absences

The County considers accrued compensated absences to be long term liabilities.

Governmental Activities Changes in Long-Term Obligations

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Accrued Compensated Absences	\$ <u>2,560,606</u>	\$ <u>3,069,788</u>	\$ <u>2,867,154</u>	\$ <u>2,763,240</u>

Business-Type Activities Changes in Long-Term Obligations

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Accrued Compensated Absences	\$ <u>62,289</u>	\$ <u>100,906</u>	\$ <u>85,784</u>	\$ <u>77,411</u>

Note: The business-type activities accrued compensated absences balance at June 30, 2007 was included in accrued payroll.

7. Interfund Transfers

The following interfund transfers were made during the year ended June 30, 2008. These transfers were permanent in nature and as such there are not any anticipated repayments.

<u>Recipient Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds	\$ 451,087
General Fund	Proprietary Funds	1,800,000
Nonmajor Special Revenue Funds	General Fund	2,241,888
Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	9,632,486
Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	461,925
Nonmajor Capital Projects Funds	Nonmajor Capital Projects Funds	4,191,525
Nonmajor Capital Projects Funds	Proprietary Funds	<u>63,867</u>
		<u>\$ 18,863,867</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

8. Segment Information for Business-type Activities

The County maintains four Enterprise Funds which provide garage (vehicle repair), stormwater utility and airport services.  
Segment information is as follows:

Consolidated Statement of Net Assets:

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
<b>Assets:</b>					
Current Assets	\$ 523,004	\$ 1,870,977	\$ (112,041)	\$ 719,228	\$ 3,001,168
Capital Assets, Net	<u>231,178</u>	<u>1,432,554</u>	<u>3,399,380</u>	<u>18,271,524</u>	<u>23,334,636</u>
<b>Total Assets</b>	<b><u>\$ 754,182</u></b>	<b><u>\$ 3,303,531</u></b>	<b><u>\$ 3,287,339</u></b>	<b><u>\$ 18,990,752</u></b>	<b><u>\$26,335,804</u></b>
<b>Liabilities:</b>					
Current Liabilities	\$ 567,940	\$ 87,577	\$ 191,395	\$ 1,757,867	\$ 2,604,779
Accrued Compensated Absences	145	44,457	1,759	31,050	77,411
Net Other Postemployment Benefits Obligation	2,797	95,104	2,797	39,160	139,858
Advances Payable to General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,723,652</u>	<u>1,723,652</u>
<b>Total Liabilities</b>	<b>570,882</b>	<b>227,138</b>	<b>195,951</b>	<b>3,551,729</b>	<b>4,545,700</b>
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt	231,178	1,432,554	3,399,380	16,508,750	21,571,862
Unrestricted (Deficit)	<u>(47,878)</u>	<u>1,643,839</u>	<u>(307,992)</u>	<u>(1,069,727)</u>	<u>218,242</u>
<b>Total Net Assets</b>	<b><u>183,300</u></b>	<b><u>3,076,393</u></b>	<b><u>3,091,388</u></b>	<b><u>15,439,023</u></b>	<b><u>21,790,104</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 754,182</u></b>	<b><u>\$ 3,303,531</u></b>	<b><u>\$ 3,287,339</u></b>	<b><u>\$ 18,990,752</u></b>	<b><u>\$26,335,804</u></b>

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

8. Segment Information for Business-type Activities— Continued:

Consolidated Statement of Revenues, Expenses, and Net Assets:

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
Operating Revenues	\$ 4,913,862	\$ 3,233,196	\$ 729,620	\$ 1,752,936	\$ 10,629,614
Cost of Sales and Services	2,893,750	-	438,114	-	3,331,864
Operating Expenses before Depreciation	1,857,951	2,602,856	289,899	1,571,043	6,321,749
Depreciation	<u>26,574</u>	<u>293,349</u>	<u>53,412</u>	<u>633,282</u>	<u>1,006,617</u>
Operating Income (Loss)	<u>\$ 135,587</u>	<u>\$ 336,991</u>	<u>\$ (51,805)</u>	<u>\$ (451,389)</u>	<u>\$ (30,616)</u>
Nonoperating Revenues/ (Expenses):					
FAA Grants	-	-	90,703	864,230	954,933
SCAC Grants	-	-	31,804	18,607	49,691
Nonoperating Grant Expenditures	-	-	(64,224)	(376,873)	(441,097)
Transfers Out	-	-	(63,867)	(1,800,000)	(1,863,867)
Gain (Loss) on Sale of Equipment	270	-	-	-	270
Interest Earned	-	19,681	-	67,079	86,760
Interest Expense	-	-	-	(94,181)	(94,181)
Total Nonoperating Revenues/ (Expenses)	<u>270</u>	<u>19,681</u>	<u>(6,304)</u>	<u>(1,321,138)</u>	<u>(1,307,491)</u>
Change in Net Assets	135,857	356,672	(58,109)	(1,772,527)	(1,338,107)
Net Assets, Beginning	<u>47,443</u>	<u>2,719,721</u>	<u>3,149,497</u>	<u>17,211,550</u>	<u>23,128,211</u>
Net Assets, Ending	<u>\$ 183,300</u>	<u>\$ 3,076,393</u>	<u>\$ 3,091,388</u>	<u>\$ 15,439,023</u>	<u>\$ 21,790,104</u>

Consolidated Statement of Cash Flows:

	<u>Garage</u>	<u>Stormwater Utility</u>	<u>Lady's Island Airport</u>	<u>Hilton Head Airport</u>	<u>Totals</u>
Net Cash Provided (Used) By:					
Operating Activities	124,015	305,131	(57,563)	67,547	439,130
Noncapital Financing Activities	-	-	57,563	(7,635)	49,928
Capital and Related Financing Activities	(121,846)	(109,556)	-	(126,991)	(358,393)
Investing Activities	<u>-</u>	<u>19,681</u>	<u>-</u>	<u>67,079</u>	<u>86,760</u>
Net Increase / (Decrease)	2,169	215,256	-	-	217,425
Beginning Cash and Cash Equivalents	<u>-</u>	<u>1,175,507</u>	<u>372</u>	<u>200</u>	<u>1,176,079</u>
Ending Cash and Cash Equivalents	<u>\$ 2,169</u>	<u>\$ 1,390,763</u>	<u>\$ 372</u>	<u>\$ 200</u>	<u>\$ 1,393,504</u>

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

9. Operating Leases

The County leases certain office space and machinery and equipment under cancelable operating leases. Under the terms of the lease agreements, the County's obligation to continue rental obligations is contingent upon the continued appropriation of funds by the County for that purpose. Total rental expenses for the year ended June 30, 2008 were approximately \$625,000.

The following is a schedule of minimum commitments for operating lease payments:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2009	\$ 417,496
2010	165,902
2011	133,856
2012	44,296
2013	8,774
2014-2026	<u>138</u>
Total	\$ <u>770,462</u>

10. Deferred Compensation Plans

All state and local government employees can participate in a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, administered by the state public employee retirement system through a state approved nongovernmental third party, permits governmental employees to defer a portion of their salary until future years. The deferred compensation is not available to an employee until termination, retirement, death, or unforeseeable emergency. Contributions by employees under the 457 program totaled \$245,814 for the year ended June 30, 2008. There are no employer contributions made by the County to this plan. Participant account balances are not included in these financial statements.

County employees may participate in a 401(k) deferred compensation plan available to state and local governmental employees through the state public employee retirement system. The 401(k) program is administered by a state approved nongovernmental third party. Contributions by employees under the 401(k) program totaled \$864,928 for the year ended June 30, 2008. There are no employer contributions made by the County to this plan. Participant account balances are not included in these financial statements.

11. Retirement Plans

The Governmental Accounting Standards Board (GASB) issued Statement No. 27 entitled Accounting for Pensions by State and Local Government Employees in November 1994. This Statement supersedes the requirements of GASB Statement No. 5. The following information is provided in order to meet the disclosure requirements prescribed in paragraph 20 of GASB 27.

Substantially all full time, permanent County employees are required by law (Title 9 of the S. C. Code of Laws) to participate in statewide, cost sharing multiple-employer defined benefit pension plans administered by the State Retirement System. Generally all employees, with the exception of law enforcement personnel and certain others, participate in the South Carolina Retirement System (SCRS). Law enforcement personnel and certain other employees participate in the South Carolina Police Officers Retirement System (PORS).

Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

11. Retirement Plans – Continued:

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Actuarially established employer contribution rates are as follows:

	<u>Retirement Program</u>				<u>Total</u>
	<u>Normal</u>	<u>Unfunded Accrued Liability</u>	<u>Accidental Death Program</u>	<u>Group Life Insurance Program</u>	
SCRS	5.00%	4.06%	N/A	.15%	9.21%
PORS	8.43%	1.87%	.20%	.20%	10.70%

Contribution rates are developed by the SCRS and PORS using the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percentage of payroll. A market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liabilities that are being amortized by regular annual contributions as a level percent of payroll within a 30-year period, assuming 4.25% annual payroll growth for SCRS and PORS.

All employers contribute at the actuarially required contribution rates.

<u>Contribution Information:</u>	<u>SCRS</u>	<u>PORS</u>
Covered Payroll	\$ 32,207,198	\$ 15,038,476
Employee Contributions	2,062,311	977,500
Employee Contribution Rate (Based upon Salary)	6.50%	6.50%
Employer Contribution Rate; Includes Group Life Coverage in both SCRS and PORS and Accidental Death Coverage in PORS (Based upon Salary)	9.06%	10.30%

The County's employer contribution to the SCRS for the years ended June 30, 2008, 2007 and 2006 were \$2,966,289, \$2,309,121, and \$1,994,176 respectively, which are equal to the required contributions.

The County's employer contribution to the PORS for the years ended June 30, 2008, 2007 and 2006 were \$1,609,117, \$1,458,815, and \$1,339,817 respectively, which are equal to the required contributions.

Vesting Requirements:

With five years of service, an employee is entitled to a deferred annuity commencing at age 60 under the SCRS and at age 55 under the PORS.



BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

11. Retirement Plans – Continued:

Retirement Benefits:

Retirement benefits of participants in the SCRS and the PORS are currently determined as follows:

SCRS - The maximum monthly retirement allowance at age 65 or 30 years' service is generally determined by the following formula:

- Total 12 highest consecutive quarters of salary (divide by 3).
- Multiply the amount by 1.82%.
- Multiply the results by the total months of creditable service.
- Divide results by 12.

PORS - The retirement benefit at age 55 or 25 years' service is generally determined consistent with the aforementioned SCRS formula, except that the average salary is multiplied by 2.14% for Class II members.

Early Retirement- SCRS

<u>Age</u>	<u>Service required</u>	<u>Early Retirement Penalty</u>
at least 60	None	5% for each year of age under 65
55	25	4% for each year of service under 30

Full formula retirement is available with 30 years of service, regardless of age, or age 65.

There are no early retirement provisions under PORS. A member must have 25 years service for full retirement or must be age 55 with 5 years service; both criteria provide for full formula benefit with no reduction.

Employees eligible for service retirement may participate in the Teacher and Retiree Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2006, TERI participants who entered the program before July 1, 2005 do not have to contribute SCRS as long as they are covered under the TERI program.

Disability Retirement

In order to receive Disability Retirement benefits, an employee must have 5 years of credited service unless the injury is job related.

Recipients receive a service retirement benefit based upon continued service to age 65 for SCRS and to age 55 for PORS with no change in compensation.

Accidental Death Program

Under this provision of the PORS, an annuity is provided to the surviving spouse (or the specified beneficiary) of a member whose death was while in performance of duty. The annuity would equal 50% of members' compensation at the time of death.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

11. Retirement Plans – Continued:

Group Life Insurance Benefits

A lump-sum payment equal to one year's salary is payable to the beneficiary upon the death of an active member with at least one year of service. There is no service requirement for death resulting from actual performance of duties. Lump-sum payments of up to \$3,000 (SCRS) or \$4,000 (PORS) are payable to a retiree's beneficiary based upon years of service at retirement.

Withdrawal of Employee Contribution

Accumulated contributions and credited interest payable are paid within 6 months but not less than 90 days after termination of all covered employment.

Post Retirement Increase

Annual increases in retirement benefits are calculated at 4% per year, provided the Consumer Price Index (CPI) for the prior calendar year was 3% or higher. If the CPI is less than 3%, CPI is granted. Increases are approved annually subject to compliance with funding policy.

Statewide Plan Actuarial Information

The South Carolina Retirement Systems do not determine separate measurements of assets and pension benefit obligations for individual employers. An actuarial valuation is performed for the systems annually. No changes in actuarial assumptions or benefit provisions have occurred subsequent to July 1, 1995. The interest rate assumption for actuarial purposes is 7.25%. An assumption of future COLA adjustments was removed (SCRS and PORS) and the method of valuing assets was changed from book value to a smoothed market value.

The Systems use a projected benefit method for actuarial valuation with level percentage entry age, normal cost and open-end unfunded accrued liability. At July 1, 2006, based upon the actuarial method used for funding purposes:

	SCRS	PORS
Unfunded Accrued Liability	\$ 9,725,073,000	\$ 530,440,000
Liquidation Period	30 years	18 years

12. Other Post Employment Benefits (OPEB)

Plan Description

The County provides post-retirement health, life and dental care benefits, as per the requirements of a local ordinance, for certain retirees. Substantially all employees who retire under the State retirements plans are eligible to continue their coverage with the County paying 100% of the premium for those with 28 or more years of service, 75% of the premium for those with 20 years to 27 years of service and 50% of the premium for those with 15 years to 20 years of service. On June 9, 2008, the County closed these benefits to all employees hired after June 9, 2008. As of year-end there were 60 employees who had retired with the County and were receiving health insurance benefits.

BEAUFORT COUNTY, SOUTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2008

12. Other Post Employment Benefits (OPEB) – Continued:

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County. The required contribution is currently based on pay-as-you-go financing requirements. For the year ended June 30, 2008, the County recognized expenditures of \$8,694,422 for current healthcare premiums.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB:

Annual Required Contribution	\$ 3,381,788
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	3,381,788
Contributions Made	-
Increase in Net OPEB Obligation	3,381,788
Net Obligation – Beginning of Year	-
Net Obligation – End of Year	\$ 3,381,788

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2008 fiscal year were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 3,381,788	100.0%	\$ 3,381,788

Funded Status and Funding Progress

As of May 6, 2008, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$34.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$34.2 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$46,695,744, and the ratio of the UAAL to the covered payroll was 73.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

12. Other Post Employment Benefits (OPEB) – Continued:

Funded Status and Funding Progress

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 6, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the blended rate of the expected long-term investment returns on plan assets on the County's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.00% in 2008 decreasing to the ultimate rate of 5.00% in 2014. Also, the actuarial assumptions included a 3.75% annual salary rate increase and 3.75% for an annual inflation rate. The UAAL is being amortized via the level percentage method, which amortizes the UAAL as a constant percent of payroll. The remaining amortization period at June 30, 2008 was 29 years.

13. Accrued Compensated Absences and Other Benefits

Effective February 15, 1993, Beaufort County adopted a new leave policy for all employees. The TOWP/SCA policy was replaced with a policy granting Personal Leave Days and Personal Disability Leave. Under the new policy, employees were entitled to a maximum Personal Leave balance of 280 hours. Upon termination, employees will be paid for all unused, unpaid Personal Leave up to this maximum. The liability recorded at June 30, 2008, to cover unused, unpaid Personal Leave including fringe benefits totaled \$2,763,940. The entire \$ 2,763,940 is considered a long-term liability.

All leave hours accrued in excess of this Personal Leave maximum were accrued to the employee's Personal Disability leave account. A maximum of 360 hours may be maintained in an employee's Personal Disability leave account. The only accrual to this balance occurs when an employee's Personal Leave account exceeds 280 hours, at which time excess hours are "rolled over" to the Personal Disability leave account. Personal Disability leave is to be used in the case of an extended or life threatening illness. This account can only be used once all accrued hours in the Personal Leave account have been used to a balance of 80 hours or less. The employee must present a doctor's statement verifying the disability or illness in order to utilize his/her Personal Disability leave. Employees with remaining SCA leave balances may retain those balances. The same rules governing the use of Personal Disability leave apply to the use of SCA leave. Upon termination of employment with Beaufort County, no payment for any unused SCA or Personal Disability leave will be made.

The County does not provide post employment health care benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

14. Commitments and Contingencies

On November 22, 1991, the County entered into a 20 year lease agreement with the General Services Administration of the U. S. Government (GSA) for the use of the former Beaufort County Courthouse building by GSA as a Federal Courthouse. Under this agreement, the County renovated the building in accordance with GSA specifications at an approximate cost of \$1,933,744. Financing has been arranged for the funding of these costs and the County has assigned all rights and interest in the lease payments from GSA to the lender. The terms and required payments on the lease are the same as the terms and required payments on the loan. After the payment of the loan and the end of the lease term, the asset will remain as property of the County.

BEAUFORT COUNTY, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

14. Commitments and Contingencies-- Continued:

Arbitrage rules - State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal Government. To retain the bonds' tax exempt status, local governments must comply with the regulations as adopted by the government expend all of the bond proceeds within designated periods which could be up to three years. The County is in compliance with all arbitrage rules.

As of June 30, 2008, the County has outstanding construction contracts of \$26,847,774.

15. Risk Management and Litigation

The County is exposed to various risks of losses related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The County manages risk through employee educational and prevention programs and through the purchase of casualty and liability insurance. All risk management activities are accounted for in the General Fund.

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The County is a party to several lawsuits which seek to recover property taxes paid under protest and to overturn property sold at "tax sales." The County's attorney estimates that the amount of actual or potential claims against the County at June 30, 2008 will not materially affect the financial conditions of the County. Therefore, the General Fund contains no provision for estimated claims.

16. Fund Equity Deficits and Subsequent Events

At June 30, 2008, the 2006B bond projects fund had a deficit balance of \$3,877,798 and the accommodations tax program fund had a deficit balance of \$85,490. However, these individual accounts are offset by a positive fund balance in the general fund.

After June 30, 2008, the County entered into several operating leases. The lease payments are reflected in the schedule of minimum commitments for operating lease payments in Note 9.

During November 2008 through January 2009, the County repurchased \$1,670,000 of its Bluffton TIF bonds on the open market for less than par. It is noted that the debt will not be defeased until 2009, when these bonds are cancelled.

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**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

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(Date of Delivery)

Beaufort County Council  
Beaufort, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA  
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009  
\$48,755,000

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 dated March 10, 2009 (the "Notes"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Notes have been authorized and executed by the County and are valid and binding general obligations of the County.

2. The County has power and is obligated to levy and collect annually a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on the Notes as they respectively mature and to create such sinking fund as may be necessary therefor.

3. Interest on the Notes is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentences are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with the requirements. Failure to comply with certain of such requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

4. Under the laws of the State of South Carolina, the Notes and the interest thereon are presently exempt from all taxation in the State, except estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Notes.

The rights of the owners of the Notes and the enforceability of the Notes are limited to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

McNAIR LAW FIRM, P.A.

**APPENDIX C**  
**CONTINUING DISCLOSURE UNDERTAKING**

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## FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of March 10, 2009, is executed and delivered by Beaufort County, South Carolina (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Chief Financial Officer, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through

nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
(201) 346-0701 (phone)  
(201) 947-0107 (fax)  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)
2. Interactive Data Pricing and Reference Data, Inc.  
Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038  
(212) 771-6999 (phone); 800-689-8466  
(212) 771-7390 (fax)  
<http://www.interactivedate-prd.com>  
Email: [NRMSIR@interactivedate.com](mailto:NRMSIR@interactivedate.com)
3. Bloomberg Municipal Repository  
100 Business Park  
Skillman, NJ 08558  
(609) 279-3225 (phone)  
(609) 279-5962 (fax)  
<http://bloomberg.com/markets/rates/municontacts.html>  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)
4. Standard & Poor’s Securities Evaluations, Inc.  
55 Water Street  
45<sup>th</sup> Floor  
New York, New York 10041  
(212) 438-4595 (phone)  
(212) 438-3975 (fax)  
<http://www.disclosuredirectory.standardandpoors.com/>  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds as listed on Appendix A.

“Repository” means the MSRB, each National Repository and the State Depository (if any).

“State Depository” means any public or private depository or entity designated by the State of South Carolina as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
(313) 963-0420 (phone)  
(313) 963-0943 (fax)  
[jackie@macmi.com](mailto:jackie@macmi.com)
2. Municipal Advisory Council of Texas  
PO Box 2177  
Austin, TX 78768-2177  
(512) 476-6947 (phone)  
(512) 476-6403 (fax)  
[mac@mactexas.com](mailto:mac@mactexas.com)
3. Ohio Municipal Advisory Council  
9321 Ravenna Road, Unit K  
Twinsburg, OH 44087-2445  
(330) 963-7444 (phone)  
(800) 969-OMAC (6622) (phone)  
(330) 963-7553 (fax)  
[sid\\_filing@ohiomac.com](mailto:sid_filing@ohiomac.com)

“Trustee” means the institution identified as such in the document under which the Bonds were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any) not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

- (i) determine the name and address of each Repository each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);
- (iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository or the MSRB and the State Depository (if any) together with a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:

1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);
2. "Non-Payment related defaults," pursuant to Sections 4(c) and 4(a)(2);
3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);
4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);



5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);
6. "Adverse tax opinions or events affecting the tax-exempt status of the security," pursuant to Sections 4(c) and 4(a)(6);
7. "Modifications to rights of securities holders," pursuant to Sections 4(c) and 4(a)(7);
8. "Bond calls," pursuant to Sections 4(c) and 4(a)(8);
9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);
10. "Release, substitution, or sale of property securing repayment of the securities," pursuant to Sections 4(c) and 4(a)(10);
11. "Ratings changes," pursuant to Sections 4(c) and 4(a)(11);
12. "Failure to provide annual financial information as required," pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;
13. "Other material event notice (specify)," pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.

- (v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: "Security," "Outstanding Indebtedness," "Assessed Value of Taxable Property in the County," "Estimated True Value of All Taxable Property in the County," "Tax Rates," "Tax Collections for Last Five Years," and "Ten Largest Taxpayers."

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official

statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) \_\_\_\_\_.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC’s services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable

until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

THE ISSUER AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Issuer.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair

the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New York (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BEAUFORT COUNTY, SOUTH CAROLINA,  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**  
**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer	Beaufort County, South Carolina
Obligated Person(s)	David Starkey Chief Financial Officer
Name of Bond Issue:	General Obligation Bond Anticipation Notes, Series 2009, \$48,755,000
Date of Issuance:	March 10, 2009
Date of Official Statement	February 24, 2009
CUSIP Number:	074347UA1

**EXHIBIT B**  
**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer	Beaufort County, South Carolina
Obligated Person(s)	David Starkey, Chief Financial Officer
Name of Bond Issue:	General Obligation Bond Anticipation Notes, Series 2009, \$48,755,000
Date of Issuance:	March 10, 2009
Date of Official Statement	February 24, 2009

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of March 10, 2009, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Issuer

cc: Issuer  
Obligated Person



**EXHIBIT C**  
**MATERIAL EVENT NOTICE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: \_\_\_\_\_

Issuer's Six-Digit CUSIP Number: \_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_

Description of Material Events Notice (Check One):

1.  Principal and interest payment delinquencies
2.  Non-Payment related defaults
3.  Unscheduled draws on debt service reserves reflecting financial difficulties
4.  Unscheduled draws on credit enhancements reflecting financial difficulties
5.  Substitution of credit or liquidity providers, or their failure to perform
6.  Adverse tax opinions or events affecting the tax-exempt status of the security
7.  Modifications to rights of securities holders
8.  Bond calls
9.  Defeasances
10.  Release, substitution, or sale of property securing repayment of the securities
11.  Rating changes
12.  Failure to provide annual financial information as required
13.  Other material event notice (specify)
14. \_\_\_\_\_

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

STATE OF SOUTH CAROLINA        )     CERTIFICATE OF CLERK TO COUNTY  
   )     COUNCIL REGARDING INITIATIVE  
 COUNTY OF BEAUFORT             )     AND REFERENDUM PROVISIONS

I, the undersigned, Clerk to County Council of Beaufort County, South Carolina (the "County"), do hereby certify, that as of the date hereof a petition (authorized by the provisions of Section 4-9-1220, Code of Laws of South Carolina 1976, as amended), signed by qualified electors of the County equal in number to at least fifteen (15%) percent of the qualified electors of the County has not been filed with the undersigned, as Clerk to County Council of the County, requesting that Ordinance No. 2008/34 (the "Ordinance") duly enacted by the County Council of the County on September 8, 2008, be repealed.

This certificate is given with respect to the issuance of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009, of the County (the "Notes"), and the above mentioned Ordinance authorizing the issuance and sale of the Notes.

  
 \_\_\_\_\_  
 Clerk to County Council of Beaufort County,  
 South Carolina

(SEAL)

Dated: March 10, 2009

## FEDERAL TAX CERTIFICATE

I, the undersigned Administrator of Beaufort County, South Carolina (the "County"), hereby certify that this Certificate is issued pursuant to Sections 1.141-0 through 1.141-16, Sections 1.148.0 through 1.148-11 and Sections 1.150-1 through 1.150-2 of the Treasury Regulations (the "Regulations") under Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code") to set forth the County's reasonable expectations on the date of issue of the Notes (as hereinafter defined) and as to future events regarding the amount and use of the proceeds thereof.

### The Notes

1. I am an officer of the County charged with the responsibility with other officials of the County for issuing the \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009, of the County, dated March 10, 2009 (the "Notes"), which are being issued under Ordinance No. 2008/34 enacted by the County Council on September 8, 2008, and which are being taken up and paid for by the initial purchasers thereof on March 10, 2009. This certificate shall constitute and be a document related to the Notes.

2. The Notes are issued only in fully registered form as to both principal and interest on the registry books of the County to be kept by Wells Fargo Bank, N.A., Atlanta, Georgia.

3. The proceeds of the Notes will be used: (a) to defray the costs of: the County Rural and Critical Land Preservation Program by purchasing open land, development rights and conservation easements in all areas of Beaufort County and to pay the costs of certain capital projects approved by the County (the "Projects"); and (b) to pay the costs of issuance of the Notes.

4. The Notes are not "hedge bonds" (within the meaning of Section 149(g) of the Code) because the County expects that (a) at least 85% of the proceeds will be allocated to expenditures for the Projects no later than three years from the date hereof and (b) not more than 50% of the proceeds of the Notes will be invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more.

### Governmental Bond

5. The Projects are expected during the term of the Notes to be used by the County in conjunction with the County's governmental purposes. The Projects are not expected during the term of the Notes to be sold or disposed of in whole or in part.

6. For purposes of this Certificate, "Nonqualifying Use" means use of the proceeds of the Notes or the Projects in any activity by a person or organization that is not (a) a state or local government; or (b) a natural person. Notwithstanding the preceding sentence, Nonqualifying Use shall not include: (a) use as a member of the general public pursuant to arrangements with a term of less than 200 days; and (b) use by a nongovernmental person pursuant to an arrangement with a term of less than 50 days that is a result of arms-length negotiations and compensation payable under the arrangement is not less than fair market value.

7. For purposes of this Certificate, "Measurement Year" means each one year period beginning on the date the first asset constituting a portion of the Projects is placed in service (the "Service Date") and ending on the day before the anniversary of the Service Date with succeeding periods beginning on the applicable anniversary of the Service Date and ending on the anniversary of the ending date of the previous one year period. For purposes of this Certificate, Nonqualifying Use is measured for

each Measurement Year by dividing the proceeds allocable to the Nonqualifying Use by the total proceeds of the Notes.

8. As of the date of this Certificate, the County expects that the Nonqualifying Use in every Measurement Year (within the period beginning on the Service Date and ending on the date the Notes are retired, hereinafter referred to as the "Measurement Period") will be less than ten percent (10%).

9. The County represents that, if Nonqualifying Use exceeds ten percent (10%) for any Measurement Year during the Measurement Period, the County will either (a) take appropriate actions so as to reduce the "private business use" (within the meaning of Section 1.141-3 of the Regulations) to ensure that the average of such "private business use" for all Measurement Years in the Measurement Period does not exceed ten percent (10%); (b) restrict the private payments and private security (within the meaning of Section 1.141-4 of the Regulations) to less than ten percent (10%) of the proceeds of the Notes; or (c) take appropriate remedial actions in accordance with Section 1.141-12 of the Regulations.

#### Proceeds

10. The Notes have been sold to J. P. Morgan Securities, Inc. (the "Underwriter") at a price of \$49,295,205.40 (the "Original Proceeds") which amount is the par amount (\$48,755,000.00) plus a bid premium of \$540,205.40. The Underwriter has made a public offering of the Notes at a price of \$49,322,020.65 (the "Offering Price") which price is the par amount of the Notes (\$48,755,000.00) plus an original issue premium of \$567,020.65. The Underwriter will retain \$27,815.25 of the original issue premium as its compensation for selling the Notes.

11. The County will receive from the initial purchaser of the Notes, as a result of the sale of the Notes, the Original Proceeds which are expected to be needed and fully expended as follows:

(a) Approximately \$136,063.14 will be expended within 60 days of the date hereof for costs of issuance of the Notes;

(b) \$238,357.30 will be deposited into the County's bond debt service fund held by the County Treasurer; and

(c) The balance of the Original Proceeds \$48,920,784.96 (the "Construction Proceeds") plus investment earnings thereon will be used to provide funds to defray the costs of the Projects.

12. All Construction Proceeds (and investment earnings thereon) will be used to finance expenditures incurred subsequent to March 10 2009, except expenditures that qualify as "preliminary expenditures" under Section 1.150-2 of the Regulations or expenditures authorized by a resolution complying with Section 1.150-2 of the Regulations.

13. The Construction Proceeds and anticipated investment earnings thereon do not exceed the amount necessary to complete the construction of the Projects.

14. The weighted average maturity (1 year) of the Notes issued to finance the Projects is less than 120% of the average reasonably expected economic life of the Projects, as determined under Section 147(b) of the Code. Thus, pursuant to Section 1.148-1(c)(4) of the Regulations, "other replacement proceeds" will not arise with respect to the Notes.

## Yield

15. For purposes of this Certificate, “yield” means yield computed by the actuarial method using a 360-day year and semi-annual compounding, resulting in a discount rate which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the issue price, fair market value, present value or purchase price thereof, as applicable, and is determined in all respects in accordance with Section 148 of the Code and the Regulations.

16. The County’s \$5,000,000 General Obligation Bonds, Series 2009A (the “Bonds”) were sold within 15 days of the date of the sale of the Notes. The Bonds are not expected to be paid from substantially the same source of funds as the Notes. Pursuant to Section 1.150-1(c)(2) of the Regulations, the Notes and the Bonds are not part of the same issue. There are no other obligations of the County which (a) were or will be sold within 15 days of date of sale of the Notes, (b) were or will be sold pursuant to a plan of financing common with the plan of financing for the Notes, and (c) are reasonably expected to be paid from substantially the same source of funds as the Notes.

17. The Underwriter has certified that the Offering Price is the aggregate initial offering price of the Notes to the public (excluding bond houses, brokers and other intermediaries). Based upon such price, the yield on the Notes is computed to be 0.5794124% (the “Note Yield”).

## Temporary Periods and Yield Restriction

18. The County has caused to be entered into, or will cause to be entered into within six (6) months of the date of issuance of the Notes, substantial binding obligations to commence the Projects, including contractual obligations to a third party to expend not less than 5% of the net sale proceeds of the Notes on the Projects. The remaining Construction Proceeds (including amounts received from investing such proceeds) will be expended within three (3) years from the date hereof. Completion of the Projects and the allocation of the net sale proceeds of the issue to expenditures relating to the Projects will proceed with due diligence. The Construction Proceeds may be invested without regard to the Note Yield during the period ending three years from the date hereof. Investment earnings on such Construction Proceeds may be invested without regard to the Note Yield for a period not to exceed one year from the date of receipt or three years from the date hereof, whichever is later.

19. That portion of the proceeds of the sale of the Notes representing costs of issuance will be expended within 60 days of the date hereof and, until such time, may be invested without regard to the Note Yield.

## Arbitrage Rebate Compliance

20. The County expects to meet the 18-month spending exception to the arbitrage rebate requirement provided in Section 1.148-7(d) of the Regulations with respect to the portion of the proceeds of the Bonds allocable to the Project. In order to qualify for the exception from the arbitrage rebate requirements pursuant to Section 1.148-7(d) of the Regulations, such proceeds (and investment proceeds thereon) must be expended in accordance with the following schedule measured from the date of issuance of the Bond:

- (i) At least 15% within six months (the first spending period);
- (ii) At least 60% within 12 months (the second spending period); and

- (iii) 100% within 18 months (the third spending period).

For purposes of complying with the first two spending periods, the amount of investment proceeds shall be determined by the County's reasonable expectations on the date of issuance of the Bond. As of the date of issuance, the County expects to receive less than \$487,550 in investment earnings on the proceeds of the Bonds. For purposes of complying with the third spending period, the Bonds will not fail to satisfy such spending requirement as a result of unspent amounts equal to a reasonable retainage (within the meaning of Section 1.148-7(h) of the Regulations) if such unspent amounts are allocated to expenditures within 30 months of the date of issuance thereof. In addition, any failure to satisfy the third spending period may be disregarded if the County exercises due diligence to complete the Projects and the amount of such failure does not exceed three percent of the issue price of the Bonds.

21. The County will maintain records with respect to nonpurpose investments (as defined in Section 148(f)(6) of the Code) attributable to the Notes. The County will use such records to determine whether such proceeds qualify for an exception from the arbitrage rebate requirement (as described in paragraph 20) and, if the County is subject to the arbitrage rebate requirements, the amount that it is required to rebate to the U.S. Treasury because the earnings on such investments exceed the amount that would have been earned if such proceeds had been invested at the Note Yield. The County will make the calculations of its liability, file such reports and make any required payments at the time or times as are now or may hereafter be prescribed under Section 148 (or a successor provision) of the Code.

22. The County has not entered into and will not enter into any transaction to reduce the yield on the proceeds of the Notes in such manner that the amount to be rebated to the Federal Government is less than it would have been had the transaction been at arms' length and the Note Yield not relevant to either party to the transaction.

#### Miscellaneous

23. The Notes are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations; (a) enabling the County to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage; or (b) over burdening the market for tax-exempt obligations.

24. The Notes are not "federally guaranteed" within the meaning of Section 149(b) of the Code.

25. The County shall file or cause to be filed, the requisite Form 8038-G on or before the 15th day of the second month after the calendar quarter in which the Notes are issued. The County has reviewed the Form 8038-G prepared for the Notes, and all of the information contained therein is, to the best of the County's knowledge, true and complete.

26. The County has not received notice of deficiency or other notice from the Internal Revenue Service, the Department of Treasury or any other governmental agency or department challenging or questioning in any way the status of the interest on the Notes as being excludable from gross income for federal income tax purposes, nor has the County been notified of any listing or proposed listing of it by the Internal Revenue Service as an issuer that may not certify its bonds

To the best of my knowledge, information and belief, and based on the foregoing facts and estimates, the foregoing expectations of the County are reasonable.

Dated this 10th day of March, 2009, the same being the date of delivery of and payment for the Notes.

A handwritten signature in black ink, appearing to read "Gary Kubi". The signature is written in a cursive style with a large, stylized initial "G".

---

Administrator, Beaufort County, South Carolina

SIGNATURE AND NO-LITIGATION CERTIFICATE

We, the undersigned officers of Beaufort County, South Carolina (the "County"), indicated by the official titles opposite our names below, do hereby certify that we did on the 10<sup>th</sup> day of March, 2009, officially cause to be signed \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 (the "Notes") of the County, being at the date of such signatures the duly chosen, qualified and acting officers indicated therein and authorized to execute the same. The Notes are in fully registered form; dated March 10, 2009; bear interest from their date at the rate of 1.75% per annum; and mature on March 10, 2010.

The manual or facsimile signature of Wm. Weston J. Newton, Chair, County Council of the County (the "County Council"), and the manual or facsimile signature of Suzanne M. Rainey, Clerk to County Council, are upon the Notes and the seal of the County is imprinted on the Notes, an impression of such seal being affixed hereon. The manual signature of an authorized officer of Wells Fargo Bank, N.A., is upon the Registrar's Certificate of Authentication on the Notes.

We further certify that no litigation in any court or other tribunal, State or federal, of any nature is now pending, or, to our knowledge, threatened, restraining or enjoining, or seeking to restrain or enjoin the sale, execution, issuance, or delivery of the Notes or questioning, contesting, or affecting in any manner the validity of Ordinance No. 2008/34 of the Beaufort County Council authorizing the Notes or the validity of the Notes thereunder and authorizing the issuance and sale of general obligations bonds in anticipation of which the Notes are being issued or the pledge of the proceeds of the general obligation bonds to the payment of the principal and, if necessary, interest on the Notes; that neither the corporate existence or boundaries of the County nor the title of the present officers to their respective offices is being contested; and that no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded.

Done and delivered this 10th day of March, 2009.

Signature

Official Title



Chair, County Council of Beaufort County,  
South Carolina



Clerk to County Council of Beaufort County,  
South Carolina

(SEAL)



RECEIPT

I, the undersigned Treasurer of Beaufort County, South Carolina hereby certify that I received from J. P. Morgan Securities, Inc., the purchase price of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 (the "Notes"), of Beaufort County, South Carolina. The Notes are in fully registered form; dated March 10, 2009; bear interest from their date at the rate of 1.75% per annum; and mature on March 10, 2010.

The date of delivery of and payment for the Notes was March 10, 2009.

The purchase price:

Principal	\$48,755,000.00
Bid Premium	<u>540,205.40</u>
Total	\$49,295,205.40

  
\_\_\_\_\_  
Treasurer, Beaufort County, South Carolina

Dated: March 10, 2009

CERTIFICATE OF THE ADMINISTRATOR  
OF THE COUNTY REGARDING THE OFFICIAL STATEMENT

I, the undersigned Administrator of Beaufort County, South Carolina (the "County") in accordance with Ordinance No. 2008/34 duly enacted by the County Council on September 8, 2008, do hereby certify that the Preliminary Official Statement dated February 17, 2009, and the final Official Statement dated February 24, 2009, in regard to the \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009A, of the County do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and that there has been no material adverse change in the financial condition of the County from that set forth in or contemplated by the Preliminary Official Statement and the final Official Statement. I further certify that I have not undertaken to independently verify information pertaining to nongovernmental data and activities contained in the Preliminary Official Statement and the final Official Statement, but that such information has been obtained from sources which the County believes to be reliable, and the County has no reason to believe that they are untrue in any material respect.

In witness whereof, I have hereunto set my hand this 10th day of March, 2009.



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Administrator, Beaufort County, South Carolina

UNITED STATES OF AMERICA  
STATE OF SOUTH CAROLINA  
BEAUFORT COUNTY  
GENERAL OBLIGATION BOND ANTICIPATION NOTE  
SERIES 2009

No. R-1

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
1.75%	March 10, 2010	March 10, 2009	074347UA1
REGISTERED OWNER:	CEDE & CO.		
PRINCIPAL AMOUNT:	FORTY-EIGHT MILLION SEVEN HUNDRED FIFTY-FIVE THOUSAND DOLLARS (\$48,755,000)		

KNOW ALL MEN BY THESE PRESENTS that Beaufort County, South Carolina (the "County") hereby acknowledges itself indebted, and for value received promises to pay to the registered owner hereof, the principal sum of Forty-eight Million Seven Hundred Fifty-five Thousand Dollars (\$48,755,000) at the principal office of Wells Fargo Bank, N.A., in the City of Atlanta, State of Georgia on the 10th day of March, 2010, and to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on said principal sum from the date hereof, at the rate of 1.75%, payable upon the maturity of this note. This note is not subject to prepayment prior to its maturity.

Both the principal of and interest on this note are payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts.

This note represents a series of general obligation bond anticipation notes (the "Notes"), issued by the County, pursuant to the authorization of Title 11, Chapter 17, Code of Laws of South Carolina 1976, as amended, in anticipation of the receipt of the proceeds to be derived from the general obligation bonds of the County to be issued pursuant to and in accordance with the provisions of the Constitution and Laws of the State of South Carolina including Article X, Section 15 of the Constitution of the State of South Carolina, 1895, as amended; Title 11, Chapter 27, Code of Laws of South Carolina, 1976, as amended; Title 59, Chapter 71, Code of Laws of South Carolina, 1976, as amended, the favorable results of a referendum, and Ordinance No. 2008/34 duly enacted by the Beaufort County Council on September 8, 2008 (the "Ordinance"). The full faith, credit and taxing power of the County and the proceeds to be derived from the sale of bonds are pledged for the payment of the principal of and interest on the Notes.

The Notes are being issued by means of a book-entry system with no physical distribution of certificates to be made except as provided in the Ordinance. One certificate registered in the name of the Securities Depository Nominee is being issued and is required to be deposited with the Securities Depository. The book-entry system will evidence positions held in the Notes by the Securities Depository's participants, beneficial ownership of the Notes in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its Participants.

Wells Fargo Bank, N.A. as Registrar/Paying Agent will recognize the Securities Depository Nominee, while the registered owner of the Notes, as the owner of the Notes for all purposes, including payments of principal of and redemption premium, if any, and interest on the Notes, notices and voting. Transfer of principal and interest payments to Participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, redemption premium, if any, and interest payments to beneficial owners of the Notes by Participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The County and Registrar/Paying Agent will not be responsible or liable for such transfers of payment or for maintaining, supervision or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its Participants or persons acting through such Participants. While the Securities Depository Nominee is the owner of the Notes, notwithstanding the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on the Notes shall be made in accordance with existing arrangements between the Registrar/Paying Agent or its successors under the Resolution and the Securities Depository.

This note and the interest hereon are exempt from all State, county, municipal, County, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes but the interest on this note may be included for certain franchise fees or taxes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and Laws of the State of South Carolina to exist, to happen, or to be performed precedent to or in the issuance of this note, do exist, have happened, and have been performed in regular and due time, form and manner, and the amount of this note, and the issue of which this note is one, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, BEAUFORT COUNTY, SOUTH CAROLINA, has caused this Note to be signed with the signature of the Chair of the County Council, attested by the signature of the Clerk to the County Council and the seal of the County impressed, imprinted, or reproduced hereon.

BEAUFORT COUNTY, SOUTH CAROLINA

(SEAL)

\_\_\_\_\_  
Chair, County Council

ATTEST:

\_\_\_\_\_  
Clerk to County Council

REGISTRAR/PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This note is one of the Notes described in the within mentioned Ordinance of Beaufort County, South Carolina.

Wells Fargo Bank, N.A., as Registrar/Paying Agent

By: \_\_\_\_\_  
Authorized Officer



The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

UNIF GIFT MIN ACT -

TEN ENT - as tenants by the  
entireties

\_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

JT TEN - as joint tenants with right  
of survivorship and not as  
tenants in common

under Uniform Gifts to Minors  
Act \_\_\_\_\_  
(state)

Additional abbreviations may also be used though not in above list.

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(Name and Address of Transferee)

\_\_\_\_\_ the within Note and  
does hereby irrevocably constitute and appoint \_\_\_\_\_  
attorney to transfer the within Note on the books kept for registration thereof, with full power of  
substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature Guaranteed

\_\_\_\_\_  
(Authorized Officer)

\_\_\_\_\_  
Signature must be guaranteed by  
a participant in the Securities Transfer  
Agent Medallions Program (STAMP)

\_\_\_\_\_  
Notice: The signature to the assignment must correspond  
with the name of the registered owner as it appears  
upon the face of the within Note in every particular,  
without alteration or enlargement or any change  
whatever

<b>PART I</b>		Reporting Authority	If Amended Return, check here <input type="checkbox"/>	
1	Issuer's name Beaufort County, South Carolina	2	Issuer's employer identification number 57-6000311	
3	Number and street (or P.O. box if mail is not delivered to street address) Post Office Drawer 1228	Room/suite	4	Report number 902
5	City, town, or post office, state and ZIP code Beaufort, South Carolina 29901-1228	6	Date of issue March 12, 2009	
7	Name of issue \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009	8	CUSIP number 074347UA1	
9	Name and Title of officer or legal representative whom the IRS may call for more information Francenia B. Heizer, Esquire, Bond Counsel	10	Telephone number of officer or legal representative (803) 799-9800	

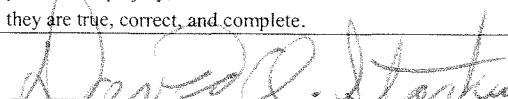
<b>Part II</b>		Type of Issue (check applicable box(es) and enter the issue price)		
11	<input type="checkbox"/> Education (attach schedule-see instructions).....	9		
12	<input type="checkbox"/> Health and hospital (attach schedule-see instructions).....	10		
13	<input type="checkbox"/> Transportation .....	11		
14	<input type="checkbox"/> Public safety .....	12		
15	<input type="checkbox"/> Environment (including sewage bonds) .....	13		
16	<input type="checkbox"/> Housing .....	14		
17	<input type="checkbox"/> Utilities .....	15		
18	<input checked="" type="checkbox"/> Other. Describe (see instructions) <b>Government Facilities</b>	16	\$49,322,020.65	
19	If obligations are tax or other revenue anticipation bonds, check box <input type="checkbox"/>			
20	If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>			
If obligations are in the form of a lease or installment sale, ..... check box <input type="checkbox"/>				

<b>PART III</b>		Description of Obligations				
	(a) Final Maturity Date	(b) Issue Price	(c) Stated Redemption price at maturity	(d) Weighted average maturity	(e) Yield	
21	Final Maturity	March 10, 2010	\$49,322,020.65	\$48,755,000.00	1 year	0.5794124%

<b>PART IV</b>		Uses of Proceeds of Bond Issue (including underwriter's discount)			
22	Proceeds used for accrued interest .....	22	\$ ---		
23	Issue price of entire issue (enter amount from line 21, column (b)) .....	23	49,322,020.65		
24	Proceeds used for bond issuance costs (including underwriter's discount)....	24	\$162,878.39		
25	Proceeds used for credit enhancement .....	25	---		
26	Proceeds allocated to reasonably required reserve or replacement fund .....	26	---		
27	Proceeds used to currently refund prior issues .....	27	---		
28	Proceeds used to advance refund prior issues .....	28	---		
29	Total (add lines 24 through 28) .....	29	162,878.39		
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here .....	30	\$49,159,142.36		

<b>PART V</b>		Description of Refunded Bonds (Complete this part only for refunded bonds.)	
31	Enter the remaining weighted average maturity of the bonds to be currently refunded .....	▶	
32	Enter the remaining weighted average maturity of the bonds to be advance refunded .....	▶	
33	Enter the last date on which the refunded bonds will be called .....	▶	
34	Enter the date(s) the refunded bonds were issued ▶		

<b>PART VI</b>		Miscellaneous	
35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) .....	35	N/A
36a	Enter the amount of gross proceeds invested or to be invested in guaranteed investment contract (see instructions)....	36a	N/A
B	Enter the final maturity date of the guaranteed investment contract ▶ N/A		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	N/A
B	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer and the date of the issue ▶		
38	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (smaller issue exception), check box .....	<input type="checkbox"/>	
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box .....	<input type="checkbox"/>	
40	If the issuer has identified a hedge, check box .....	<input type="checkbox"/>	

<b>Please Sign Here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.	
	▶  03/10/09 Signature of issuer's representative Date	▶ David Starkey, Chief Financial Officer Type or print name and title



**Moody's Investors Service**

February 23, 2009

7 World Trade Center at 250 Greenwich Street  
New York, New York 10007

Mr. David Starkey  
Chief Financial Officer  
Beaufort (County of) SC  
P.O. Box 1228  
Beaufort, SC 29901-1228

Dear Mr. Starkey:

We wish to inform you that on February 20, 2009, Moody's Investors Service reviewed and assigned a rating of **MIG 1** to Beaufort (County of) SC's General Obligation Bond Anticipation Notes, Series 2009 and **Aa2** to General Obligation Bonds, Series 2009.

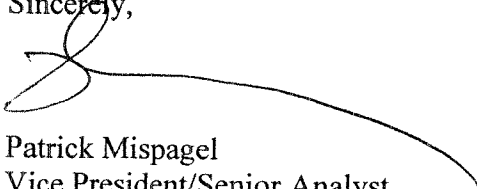
In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Catie Tsao at 212-553-1362.

Sincerely,



Patrick Mispagel  
Vice President/Senior Analyst

cc:  
Ms. Frannie Heizer  
McNair Law Firm, P.A.  
Bank of America Tower  
1301 Gervais Street  
Columbia, SC 29201



**STANDARD  
& POOR'S**

55 Water Street, 38th Floor  
New York, NY 10041-0003  
tel 212 438-2066  
reference no.: 1049048

February 23, 2009

Beaufort County  
P.O. Drawer 1228  
Beaufort, SC 29901  
Attention: Mr. Gary Kubic, County Administrator

Re: *US\$48,755,000 Beaufort County, South Carolina, General Obligation Bond Anticipation Notes, Series 2009, dated: March 10, 2009, due: March 10, 2010*

Dear Mr. Kubic:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "SP-1+". A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on

Mr. Gary Kubic  
Page 2  
February 23, 2009

CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street  
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If we can be of help in any other way, please call or contact us at [nypublicfinance@standardandpoors.com](mailto:nypublicfinance@standardandpoors.com). Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services  
a division of The McGraw-Hill Companies, Inc.

*Standard & Poor's /KT*

al  
enclosures

cc: Francenia B. Heizer, Esq.,  
McNair Law Firm P.A.

## DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of March 10, 2009, is executed and delivered by Beaufort County, South Carolina (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Notes (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Notes and the 9-digit CUSIP numbers for all Notes to which the document applies.

“Disclosure Representative” means the Chief Financial Officer, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Effective Date” means July 1, 2009, or such later date as the Securities and Exchange Commission shall state as the effective date for the amendments to the Rule pursuant to Release No. 34-59062 (Dec. 5, 2008).

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through

nominees, depositories or other intermediaries) or (b) treated as the owner of any Notes for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

“Notes” means the notes as listed on the attached Exhibit A, with the 9-digit CUSIP number relating thereto.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“National Repository” means, prior to the Effective Date, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, and thereafter the MSRB. Prior to the Effective Date, the list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
(201) 346-0701 (phone)  
(201) 947-0107 (fax)  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)
2. Interactive Data Pricing and Reference Data, Inc.  
Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038  
(212) 771-6999 (phone); 800-689-8466  
(212) 771-7390 (fax)  
<http://www.interactivedate-prd.com>  
Email: [NRMSIR@interactivedate.com](mailto:NRMSIR@interactivedate.com)
3. Bloomberg Municipal Repository  
100 Business Park  
Skillman, NJ 08558  
(609) 279-3225 (phone)  
(609) 279-5962 (fax)  
<http://bloomberg.com/markets/rates/municontacts.html>  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)
4. Standard & Poor’s Securities Evaluations, Inc.  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041  
(212) 438-4595 (phone)  
(212) 438-3975 (fax)  
<http://www.disclosuredirectory.standardandpoors.com/>  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Notes as listed on Appendix A.

“Repository” means the MSRB, each National Repository and the State Depository (if any).

“State Depository” means any public or private depository or entity designated by the State of South Carolina as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
(313) 963-0420 (phone)  
(313) 963-0943 (fax)  
[jackie@macmi.com](mailto:jackie@macmi.com)
2. Municipal Advisory Council of Texas  
PO Box 2177  
Austin, TX 78768-2177  
(512) 476-6947 (phone)  
(512) 476-6403 (fax)  
[mac@mactexas.com](mailto:mac@mactexas.com)
3. Ohio Municipal Advisory Council  
9321 Ravenna Road, Unit K  
Twinsburg, OH 44087-2445  
(330) 963-7444 (phone)  
(800) 969-OMAC (6622) (phone)  
(330) 963-7553 (fax)  
[sid\\_filing@ohiomac.com](mailto:sid_filing@ohiomac.com)

“Trustee” means the institution identified as such in the document under which the Notes were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any) not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

- (i) determine the name and address of each Repository each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);
- (iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository or the MSRB and the State Depository (if any) together with a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
  - 1. “Principal and interest payment delinquencies,” pursuant to Sections 4(c) and 4(a)(1);
  - 2. “Non-Payment related defaults,” pursuant to Sections 4(c) and 4(a)(2);
  - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(3);
  - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(4);
  - 5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 4(c) and 4(a)(5);

6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);
7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);
8. “Bond calls,” pursuant to Sections 4(c) and 4(a)(8);
9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);
10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 4(c) and 4(a)(10);
11. “Ratings changes,” pursuant to Sections 4(c) and 4(a)(11);
12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;
13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.

(v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: “Security,” “Outstanding Indebtedness,” “Assessed Value of Taxable Property in the County,” “Estimated True Value of All Taxable Property in the County,” “Tax Rates,” “Tax Collections for Last Five Years,” and “Ten Largest Taxpayers.”

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

#### SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Notes constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Notes reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Notes;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Notes;
11. Rating changes on the Notes;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) \_\_\_\_\_.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB.



SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Notes and the 9-digit CUSIP numbers for the Notes as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Notes upon the legal defeasance, prior redemption or payment in full of all of the Notes, when the Issuer is no longer an obligated person with respect to the Notes, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC’s services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Notes. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days’ prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders’

rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Notes or under any other document relating to the Notes, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Notes or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

THE ISSUER AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Notes.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Issuer.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Notes and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Notes, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Notes, and shall create no rights in any other person or entity.

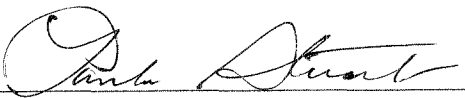
SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New York (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By:   
Name: Paula Stuart  
Title: CEO

BEAUFORT COUNTY, SOUTH CAROLINA,  
as Issuer

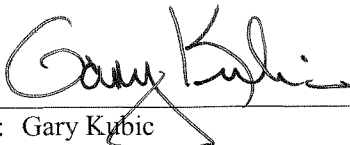
By: \_\_\_\_\_  
Name: Gary Kubic  
Title: Administrator

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BEAUFORT COUNTY, SOUTH CAROLINA,  
as Issuer

By:  \_\_\_\_\_  
Name: Gary Kybic  
Title: Administrator

**EXHIBIT A**  
**NAME AND CUSIP NUMBERS OF NOTES**

Name of Issuer	Beaufort County, South Carolina
Obligated Person(s)	David Starkey Chief Financial Officer
Name of Bond Issue:	General Obligation Bond Anticipation Notes, Series 2009, \$48,755,000
Date of Issuance:	March 10, 2009
Date of Official Statement	February 24, 2009
CUSIP Number:	074347UA1

**EXHIBIT B**  
**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer	Beaufort County, South Carolina
Obligated Person(s)	David Starkey, Chief Financial Officer
Name of Bond Issue:	General Obligation Bond Anticipation Notes, Series 2009, \$48,755,000
Date of Issuance:	March 10, 2009
Date of Official Statement	February 24, 2009

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Notes as required by the Disclosure Agreement, dated as of March 10, 2009, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Issuer

cc: Issuer  
Obligated Person

\_\_\_\_\_

**EXHIBIT C**  
**MATERIAL EVENT NOTICE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: \_\_\_\_\_

Issuer's Six-Digit CUSIP Number: \_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the notes to which this material event notice relates:

\_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_\_

Description of Material Events Notice (Check One):

1.  Principal and interest payment delinquencies
2.  Non-Payment related defaults
3.  Unscheduled draws on debt service reserves reflecting financial difficulties
4.  Unscheduled draws on credit enhancements reflecting financial difficulties
5.  Substitution of credit or liquidity providers, or their failure to perform
6.  Adverse tax opinions or events affecting the tax-exempt status of the security
7.  Modifications to rights of securities holders
8.  Bond calls
9.  Defeasances
10.  Release, substitution, or sale of property securing repayment of the securities
11.  Rating changes
12.  Failure to provide annual financial information as required
13.  Other material event notice (specify)
14. \_\_\_\_\_

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: Digital Assurance Certification, L.L.C.

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_




REGISTRAR'S CERTIFICATE

Wells Fargo Bank, N.A., as Registrar for the \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009, dated March 10, 2009 (the "Notes"), of Beaufort County, South Carolina (the "County"), does hereby certify that:

1. The Registrar has been granted all powers necessary and the right to act as Registrar by the Office of the Comptroller of the Currency and is thereby and by the laws of the United States of America and of the State of South Carolina empowered to act as Registrar for the Notes. The Registrar has authenticated the Notes by having the Registrar's Certificate of Authentication signed by authorized officers of the Registrar and has delivered the Notes to the Depository Trust Company in New York, New York for the account of J. P. Morgan Securities, Inc.

2. Set forth below, opposite the name and title of the above-mentioned officers of the Registrar is a specimen of the signature of each authenticating officer:

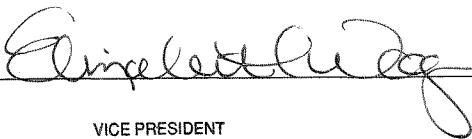
<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
<u>ARTHUR G. MOSLEY II</u>	<u>VICE PRESIDENT</u>	
_____	_____	_____

3. The persons indicated above were at the time of the authentication of the Notes and are now duly elected, qualified and acting incumbents of their offices, and pursuant to authorization from the Board of Directors of the Registrar such persons, in their official capacities, are authorized to authenticate the Notes for and on behalf of the Registrar.

In witness whereof, Wells Fargo Bank, N.A. has caused this certificate to be executed and its official seal impressed thereon by one of its officers this 10<sup>th</sup> day of March, 2009.

(SEAL)

WELLS FARGO BANK, N.A., as Registrar

By:  \_\_\_\_\_  
Its: VICE PRESIDENT

CERTIFICATE AS TO ISSUE PRICE

This certificate is furnished by J. P. Morgan Securities, Inc., the book-running senior manager of the underwriters of the \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 (the "Notes"), dated March 10, 2009, of Beaufort County, South Carolina (the "County") to establish the "issue price" of the Notes within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended.

WE HEREBY CERTIFY as follows:

1. The Underwriter has offered the Notes to the public in a bona fide offering at the initial offering price or yield (expressed as a percentage of principal amount and exclusive of accrued interest) set forth below (the "Initial Offering Price").

2. At the time (February 24, 2009, the "Sale Date") the Notes were awarded to us at a competitive sale, the Underwriter reasonably expected to sell at least 10% of the aggregate face amount of the Notes to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at the Initial Offering Price.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Yield</u>	<u>Reoffering Price</u>
March 10, 2010	\$48,755,000	0.58%	101.163%

3. For purposes herein, the undersigned has determined the aggregate reoffering price of the Notes to be \$49,322,020.65 representing the sum of (a) the aggregate principal amount of the Notes equal to \$48,755,000.00, plus an original issue premium of \$567,020.65. The price paid for the Notes does not exceed the fair market value of such Notes of the Sale Date.

4. No Notes were sold in exchange for property.

We assume no obligation to advise you of any changes that come to our attention subsequent to the date hereof and that would have caused us to alter in any respect the information set forth herein. We understand that the County and bond counsel will rely upon this Certificate, among other things, in reaching a conclusion that the yield on the Notes can be computed on the basis, in part, of the price paid for the Notes and that the Notes do not constitute "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Dated as of the 10<sup>th</sup> day of March, 2009.

J. P. MORGAN SECURITIES, INC.

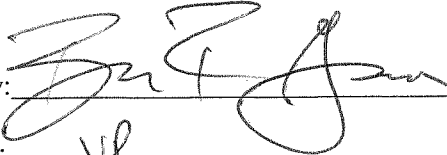
By: 

Title: VP

PURCHASER'S RECEIPT FOR THE NOTES

J. P. Morgan Securities, Inc. acknowledges receipt of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009, of Beaufort County, South Carolina (the "Notes"). The Notes are as of the date hereof in book-entry-only form; dated March 10, 2009; bear interest from their date at the rate of 1.75% per annum; and mature on March 10, 2010.

J. P. MORGAN SECURITIES, INC.

By:   
Its: VP

Dated: March 10, 2009

March 10, 2009

Beaufort County Council  
Beaufort, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA  
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009  
\$48,755,000

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$48,755,000 General Obligation Bond Anticipation Notes, Series 2009 dated March 10, 2009 (the "Notes"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Notes have been authorized and executed by the County and are valid and binding general obligations of the County.
2. The County has power and is obligated to levy and collect annually a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on the Notes as they respectively mature and to create such sinking fund as may be necessary therefor.
3. Interest on the Notes is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentences are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with the requirements. Failure to comply with certain of such requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

McNair Law Firm, P. A.  
The Tower at 1301 Gervais  
1301 Gervais Street  
17th Floor  
Columbia, SC 29201  
T (803) 799-9800  
F (803) 753-3277  
  
Mailing Address  
Post Office Box 11390  
Columbia, SC 29211

mcnair.net

4. Under the laws of the State of South Carolina, the Notes and the interest thereon are presently exempt from all taxation in the State, except estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Notes.

The rights of the owners of the Notes and the enforceability of the Notes are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

McNAIR LAW FIRM, P.A.

By: Francis B. Heizer  
A Member of the Firm