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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. The fiduciary fund financial statements are reported using *no measurement focus* and the *accrual basis of accounting*. 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.

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 New River TIF bonds fund accounts for the expenditure of the bond proceeds of the bonds issued for the improvements within the TIF district. These improvements include the new river campus for the University of South Carolina-Beaufort and the south campus for the Technical College of the Lowcountry.

The 2009 bond anticipation notes fund accounts for the expenditure of bond proceeds of the notes 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 2006 bond projects fund accounts for the expenditures of the bond proceeds of the bonds issued for various capital projects throughout the County.

The County reports the following major enterprise funds:

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.

1. Summary of Significant Accounting Policies – Continued:

The County reports the following major internal service fund:

The garage fund accounts for the activities of the County's garage operations.

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. These funds are custodial in nature and do not involve measurement of results of operations.

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.

1. Summary of Significant Accounting Policies – Continued:

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:

		Governmental	Business-Type
Net Capital Assets		$ 287,524,153	$ 23,074,168
Less: Current Portion of Long Term Debt		(56,352,954)	-
Long Term Obligations		(212,460,436)	-
Add Unspent Bond Proceeds:	2009 Bond Anticipation Notes	17,259,309	-
	Real Property Program	19,011,102	-
	Capital Projects Funds	15,494,758	-
	2006 Bond Projects	11,950,511	-
		$ 82,426,443	$ 23,074,168

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 fair 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

1. Summary of Significant Accounting Policies – Continued:

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.

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.

1. Summary of Significant Accounting Policies – Continued:

(5) The County Administrator or his designee is authorized to transfer funds among operating accounts or among capital accounts within a department. All transfers over $10,000 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.

(6) Formal budgetary integration is employed as a measurement control device for all governmental funds of the County. The County has legally adopted budgets for all funds with the exception of the following: Clerk of Court Discretionary, Sheriff's Restricted Drug Award Trust, Gift Store Program, Sheldon Rehabilitation Project, Library Trust, Library Special Trust, PALS Bluffest, and Administration Building Renovations.

(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, 2009, the carrying amount of the County's deposits was $20,317,560 and the bank balance was $25,661,937. 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, 2009, the County has the following investments:

		Investment maturities (in years)	
Investment Type	Fair Value	Less than 1	1 - 5
Certificates of Deposit	$ 1,000,000	$ -	$ 1,000,000
US Treasury Obligations	8,994,467	8,994,467	-
US Government Agency Obligations	248,457,377	237,454,077	11,003,300
	258,451,844	246,448,544	12,003,300
South Carolina Local Government Investment Pool	4,237,864	4,237,864	-
	$262,689,708	$250,686,408	$12,003,300

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.

2. Cash and Equity in Pooled Cash and Investments – Continued:

Credit Risk

The County has no investment policy that would further limit its investment choices other than state law. As of June 30, 2009, 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. LGIP is rated AAA for long-term unsecured debt and A1+ for short-term notes by Standard & Poor's. 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 Aa2 by Moody's Investors Services.

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. As of June 30, 2009, the County had investments with three issuers that exceeded 5% of total investments.

3. Receivables/Due from Other Governments/Note Receivable

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	Nonmajor Governmental Fund
Property Tax Receivable	$ 2,388,242	$ 211,562	$ 125,948
Licenses and Fees Receivable	595,127	-	1,070,246
Accounts Receivable - Other	1,411,696	-	768,800
	$ 4,395,065	$ 211,562	$ 1,964,994

	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Internal Service Fund Garage
Property Tax Receivable	$ -	$ -	$ -	$ -
Licenses and Fees Receivable	82,042	35,160	312,639	221,481
Accounts Receivable - Other	-	-	-	-
	$ 82,042	$ 35,160	$ 312,639	$ 221,481

3. Receivables/Due from Other Governments/Note Receivable – Continued:

Key dates in the property tax cycle for tax year 2008 are as follows:

Assessment Date	2004
Property Taxes Levied	August 25, 2008
Tax Bills Rendered	October 28, 2008
Property Taxes Payable	March 16, 2009
Delinquency Date	March 17, 2009
Tax Sale Dates	October 5-6, 2009

The following details the due from other governments by fund:

	General Fund	County Wide General Obligation Bonds	Sales Tax Projects	Nonmajor Governmental Funds
State Aid to Subdivisions	$ 1,753,338	$ 28	$ -	$ -
General Government Programs	73,954	-	-	181,061
Public Safety Programs	-	-	-	250,398
Public Works Programs	-	-	6,818,262	156,933
Alcohol & Drug Programs	-	-	-	66,688
Disabilities and Special Needs Programs	-	-	-	36,313
Public Welfare Programs	-	-	-	40,405
Cultural & Recreational Programs	-	-	-	81,829
2002 Bond Projects	-	-	-	79,537
	$ 1,827,292	$ 28	$ 6,818,262	$ 893,164

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 Technical College of the Lowcountry's portion of this bond is $1,500,000.

The following reflects the future minimum payments receivable at June 30, 2009, under this note receivable:

Fiscal Year Ending	Amount
2010	$ 105,927
2011	108,563
2012	110,791
2013	113,057
2014	115,168
2015-2019	590,068
2020-2024	605,089
2025-2026	241,714
Total minimum note payments	1,990,377
Less Amount Representing Interest	(606,091)
Present value of minimum note payments	1,384,286
Less current portion	(47,143)
Long-term portion	$ 1,337,143

4. Capital Assets

Governmental Activities

	Balance June 30, 2008	Additions	Disposals or Transfers	Balance June 30, 2009
Capital Assets not Being Depreciated:				
Land & Easements	$ 75,884,513	$ 4,777,001	$ -	$ 80,661,514
Construction in Progress	15,160,362	36,004,808	8,097,459	43,067,711
Total Capital Assets not Being Depreciated	91,044,875	40,781,809	8,097,459	123,729,225
Other Capital Assets:				
Buildings & Improvements	130,351,883	952,555	-	131,304,438
Infrastructure	71,743,906	2,330,840	-	74,074,746
Equipment	42,613,238	5,491,306	1,605,046	46,499,498
Total Other Capital Assets	244,709,027	8,774,701	1,605,046	251,878,682
Accumulated Depreciation – Buildings & Improvements	43,325,276	5,124,970	-	48,450,246
Accumulated Depreciation – Infrastructure	5,898,982	2,940,429	-	8,839,411
Accumulated Depreciation – Equipment	27,883,047	4,342,456	1,431,406	30,794,097
Total Accumulated Depreciation	77,107,305	12,407,855	1,431,406	88,083,754
Other Capital Assets, Net	167,601,722	(3,633,154)	173,640	163,794,928
Governmental Activities Capital Assets, Net	$ 258,646,597	$ 37,148,655	$ 8,271,099	$ 287,524,153

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, 2009 was $12,407,855 and the accumulated depreciation as of June 30, 2009 was $88,083,754.

The depreciation expense was allocated as follows:

General Government	$ 2,719,646
Public Safety	3,938,510
Public Works	3,608,320
Public Health	109,050
Public Welfare	192,028
Cultural and Recreation	1,840,301
Total	$ 12,407,855

4. Capital Assets – Continued:

Business-Type Activities

	Balance June 30, 2008	Additions	Disposals or Transfers	Balance June 30, 2009
Capital Assets not Being Depreciated:				
Land & Easements	$ 13,802,425	$ -	$ -	$ 13,802,425
Construction in Progress	53,159	618,861	-	672,020
Total Capital Assets not Being Depreciated	13,855,584	618,861	-	14,474,445
Other Capital Assets:				
Buildings & Improvements	11,509,121	-	-	11,509,121
Equipment	4,155,329	320,557	125,346	4,350,540
Total Other Capital Assets	15,664,450	320,557	125,346	15,859,661
Accumulated Depreciation – Buildings & Improvements	4,281,998	460,365	-	4,742,363
Accumulated Depreciation – Equipment	2,134,578	502,696	119,699	2,517,575
Total Accumulated Depreciation	6,416,576	963,061	119,699	7,259,938
Other Capital Assets, Net	9,247,874	(642,504)	5,647	8,599,723
Business-Type Activities Capital Assets, Net	$ 23,103,458	$ (23,643)	$ 5,647	$ 23,074,168

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, 2009 was $963,061 and the accumulated depreciation as of June 30, 2009 was $7,259,938.

The depreciation expense was allocated as follows:

Stormwater Utility	284,944
Lady's Island Airport	57,302
Hilton Head Airport	620,815
Total	$ 963,061

5. Long-Term Obligations

	Governmental Activities	Business-Type Activities
General Obligation Bonds	$ 159,305,000	$ -
TIF Revenue Bonds	60,575,000	-
Bond Anticipation Notes	48,755,000	-
Advances from General Fund	-	1,723,652
Capital Leases	178,390	-
	$ 268,813,390	$ 1,723,652

5. Long-Term Obligations- Continued:

General Obligation Bonds

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.

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.

5. Long Term Obligations – Continued:

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 refunding a substantial portion of the 2001 County Bonds.

In March 2009, the County issued $5,000,000 of General Obligation Bonds bearing interest rates of 2.5% to 3.0% and with varying maturity dates through 2012. The proceeds of these bonds were used for various County projects.

The 2001, 2002, 2003, 2005, 2006, 2006B, 2007, 2007B, and 2009 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, 2009:

Description	Rates and Dates	Maturity	Original Issue	Outstanding at June 30, 2009
2001 County Bonds	4.375% - 5.25% 2/1 and 8/1	2020	30,000,000	3,000,000
2002 County Bonds	3.0% - 4.875% 2/1 and 8/1	2022	25,100,000	13,475,000
2003 County Bonds	2.0% - 5.0% 2/1 and 8/1	2023	25,500,000	20,850,000
2005 County Bonds	3.0% - 5.0% 2/1 and 8/1	2025	30,500,000	29,600,000
2006 County Bonds	3.5% - 8.0% 3/1 and 9/1	2026	17,500,000	16,150,000
2006B County Bonds	4.0% - 6.75% 3/1 and 9/1	2026	30,000,000	28,900,000
2007 County Bonds	4.0% - 5.0% 3/1 and 9/1	2027	25,500,000	25,075,000
2007B County Bonds	4.0% - 5.0% 2/1 and 8/1	2020	17,530,000	17,255,000
2009 County Bonds	2.5% - 3.0% 3/1 and 9/1	2012	5,000,000	5,000,000
			$206,630,000	$159,305,000

5. Long Term Obligations – Continued:

A schedule of the debt service requirements associated with the general obligation bonds follows:

Fiscal Year Ending	2001 County Bonds	2002 County Bonds	2003 County Bonds	2005 County Bonds
2010	$ 1,602,060	$ 2,587,025	$ 1,803,250	$ 1,808,875
2011	1,598,850	2,568,525	1,828,313	1,795,375
2012	-	1,111,525	1,899,563	1,781,875
2013	-	1,113,681	1,966,563	1,917,250
2014	-	1,113,719	2,029,063	1,897,750
2015-2019	-	5,613,950	10,492,065	11,687,750
2020-2024	-	3,401,881	8,356,626	22,381,250
2025-2027	-	-	-	3,123,750
Total	3,200,910	17,510,306	28,375,443	46,393,875
Less Amount Representing Interest	200,910	4,035,306	7,525,443	16,793,875
Net	$ 3,000,000	$ 13,475,000	$ 20,850,000	$ 29,600,000

Fiscal Year Ending	2006 County Bonds	2006B County Bonds	2007 County Bonds	2007B County Bonds
2010	$ 1,235,813	$ 1,917,250	$ 1,514,031	$ 781,900
2011	1,266,563	1,989,250	1,623,031	785,300
2012	1,292,563	2,057,250	1,727,031	2,368,500
2013	1,319,000	2,121,250	1,826,031	2,363,300
2014	1,343,625	2,181,250	1,920,031	2,350,700
2015-2019	6,884,125	11,923,250	10,489,155	11,576,400
2020-2024	7,059,375	14,370,000	11,715,156	2,267,200
2025-2027	2,820,000	5,734,125	7,467,251	-
Total	23,221,064	42,293,625	38,281,717	22,493,300
Less Amount Representing Interest	7,071,064	13,393,625	13,206,717	5,238,300
Net	$ 16,150,000	$ 28,900,000	$ 25,075,000	$ 17,255,000

5. Long Term Obligations – Continued:

Fiscal Year Ending	2009 County Bonds	Total
2010	$ 311,500	$ 13,561,704
2011	1,960,625	15,415,832
2012	3,090,000	15,328,307
2013	-	12,627,075
2014	-	12,836,138
2015-2019	-	68,666,695
2020-2024	-	69,551,488
2025-2027	-	19,145,126
Total	5,362,125	227,132,365
Less Amount Representing Interest	362,125	67,827,365
Net	$5,000,000	$159,305,000

Total interest paid on bonds outstanding for the year ended June 30, 2009 was $7,835,998.

The following is a schedule of principal payments for all general obligation bonds:

Fiscal Year Ending	Amount
2010	$ 6,705,000
2011	8,825,000
2012	9,055,000
2013	6,670,000
2014	7,130,000
2015-2019	45,525,000
2020-2024	57,545,000
2025-2027	17,850,000
Total	$ 159,305,000

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, which the County owns.

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.

5. Long Term Obligations – Continued:

The following is a schedule of the debt service requirements:

Fiscal Year Ending	New River TIF	Bluffton TIF	Total
2010	$ 2,546,463	$ 1,403,600	$ 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	3,349,950	1,905,275	5,255,225
2015-2019	17,760,475	10,558,275	28,318,750
2020-2024	18,324,100	11,463,750	29,787,850
2025-2028	11,233,000	4,153,250	15,386,250
Total	62,193,063	34,279,850	96,472,913
Less Amount Representing Interest	22,953,063	12,944,850	35,897,913
Net	$39,240,000	$21,335,000	$60,575,000

Total interest paid on bonds outstanding for the year ended June 30, 2009 as $3,092,802.

Bond Anticipation Notes

In March 2009, the County issued $48,755,000 in Bond Anticipation Notes bearing an interest rate of 1.75% and with a maturity of March 10, 2010. The County intends to refinance the Bond Anticipation Notes into General Obligation Bonds in fiscal year 2010.

Advances from 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.

5. Long Term Obligations - Continued:

Annual requirements to amortize the advances from general fund outstanding at June 30, 2009, are as follows:

Fiscal Year Ending	Loan Payable to General Fund	Principal	Interest
2010	$ 126,535	$ 41,115	$ 85,420
2011	126,535	43,210	83,325
2012	126,535	45,411	81,124
2013	126,535	47,725	78,810
2014	126,535	50,156	76,379
2015-2019	632,674	291,813	340,861
2020-2024	632,674	374,115	258,559
2025-2029	632,674	479,629	153,045
2030-2032	379,603	350,478	29,125
Total	$ 2,910,300	$ 1,723,652	$ 1,186,648

Capital Leases

As of June 30, 2009, 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, 2009.

Fiscal Year Ending	Amount
2010	$ 40,000
2011	40,000
2012	40,000
2013	40,000
2014	40,000
Total	200,000
Less Amount Representing Interest	21,610
Net	$ 178,390

5. Long Term Obligations - Continued:

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, 2009 was approximately $8,299 which was recorded as expenditure in the Special Revenue Fund for E-911 equipment.

Governmental Activities Changes in Long -Term Obligations

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
General Obligation Bonds	$ 177,515,000	$ 5,000,000	$ 23,210,000	$159,305,000
TIF Revenue Bonds	62,760,000	-	2,185,000	60,575,000
Bond Anticipation Notes	-	48,755,000	-	48,755,000
Capital Leases	210,091	-	31,701	178,390
Totals	$ 240,485,091	$ 53,755,000	$ 25,426,701	$268,813,390

Business-Type Activities Changes in Long -Term Obligations

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Advances from General Fund	$ 1,762,774	$ -	$ 39,122	$ 1,723,652

Combined Changes in Long-Term Obligations

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
General Obligation Bonds	$ 177,515,000	$ 5,000,000	$ 23,210,000	$159,305,000
TIF Revenue Bonds	62,760,000	-	2,185,000	60,575,000
Bond Anticipation Notes	-	48,755,000	-	48,755,000
Advances from General Fund	1,762,774	-	39,122	1,723,652
Capital Leases	210,091	-	31,701	178,390
Totals	$ 242,247,865	$ 53,755,000	$ 25,465,823	$270,537,042

5. Long Term Obligations - Continued:

Current Portion of Long Term Obligations

The current portion of long term obligations is computed as follows:

General Obligations Bonds	$ 6,705,000
TIF Revenue Bonds	860,000
Bond Anticipation Notes	48,755,000
Capital Leases	32,954
	$ 56,352,954

6. Accrued Compensated Absences

The County considers accrued compensated absences to be reported as a current and long term liability.

Governmental Activities Changes in Current and Long -Term Obligations

Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Amount Due In One Year
$ 2,764,085	$ 4,105,366	$ 3,761,016	$ 3,108,435	$ 155,422

Business-Type Activities Changes in Current and Long -Term Obligations

Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Amount Due In One Year
$ 76,566	$ 160,649	$ 127,016	$ 109,952	$ 5,497

7. Interfund Transfers/ Due to General Fund

Interfund transfers (in/out) were used to move resources to/from other funds in accordance with budgetary authorizations, or other requirements. These transfers were permanent in nature and as such there are not any anticipated repayments. The following interfund transfers were made during the year ended June 30, 2009.

7. Interfund Transfers/ Due to General Fund- Continued:

Recipient Fund	Transferring Fund	Amount
General Fund	Nonmajor Special Revenue Funds	$ 869,682
County Wide General Obligation Bonds	Nonmajor Special Revenue Funds	4,065,989
County Wide General Obligation Bonds	Nonmajor Debt Service Funds	301,967
2009 Bond Anticipation Notes	Nonmajor Capital Project Funds	1,885,170
2009 Bond Anticipation Notes	Nonmajor Special Revenue Funds	964,508
Sales Tax Projects	Nonmajor Special Revenue Funds	819,689
2006 Bond Projects	Nonmajor Capital Project Funds	160,807
2006 Bond Projects	2009 Bond Anticipation Notes	3,254,971
Nonmajor Special Revenue Funds	General Fund	2,812,282
Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	2,316,514
Nonmajor Capital Project Funds	2006 Bond Projects	38,268
Nonmajor Capital Projects Funds	Nonmajor Capital Projects Funds	142,000
		$ 17,631,847

Due to General Fund

Due to general fund also included $1,777,945 at June 30, 2009 for advances for certain operating expenses of the airport enterprise fund.

8. 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, 2009 were approximately $510,000.

The following is a schedule of minimum commitments for operating lease payments:

Fiscal Year Ending	Amount
2010	$ 478,097
2011	219,275
2012	79,887
2013	8,774
2014	12
2015-2026	125
Total	$ 786,170

9. 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 $284,874 for the year ended June 30, 2009. 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) or a Roth 401(k) deferred compensation plans available to state and local governmental employees through the state public employee retirement system. The 401(k) and Roth 401(k) programs are administered by a state approved nongovernmental third party. Contributions by employees under the 401(k) and Roth 401(k) programs totaled $916,414 and $10,778, respectively, for the year ended June 30, 2009. There are no employer contributions made by the County to these plans. Participant account balances are not included in these financial statements.

10. 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 was amended with the issuance of GASB Statement No. 50 entitled Pension Disclosures- an amendment of GASB Statements No. 25 and No. 27 in May 2007. The following information is provided in order to meet the disclosure requirements prescribed in paragraph 20 of GASB 27 and paragraph 7 of GASB 50.

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.

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:

	Retirement Program				
	Normal	Unfunded Accrued Liability	Accidental Death Program	Group Life Insurance Program	Total
SCRS	5.00%	4.24%	N/A	.15%	9.39%
PORS	8.43%	2.22%	.20%	.20%	11.05%

10. Retirement Plans – Continued:

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.

Contribution Information:	SCRS	PORS
Covered Payroll	$ 34,401,193	$ 16,516,394
Employee Contributions	2,223,091	1,073,566
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)	9.39%	11.05%

The County's employer contribution to the SCRS for the years ended June 30, 2009, 2008 and 2007 were $3,230,276, $2,966,289, and $2,309,121, respectively, which are equal to the required contributions.

The County's employer contribution to the PORS for the years ended June 30, 2009, 2008 and 2007 were $1,825,061, $1,609,117, and $1,458,815, 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 65 under the SCRS and at age 55 under the PORS.

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.

10. Retirement Plans – Continued:

Early Retirement - **SCRS**

Age	Service required	Early Retirement Penalty
at least 60	None	5% for each year of age under 65
55	25	4% for each year of service under 28

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.

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 $6,000 (SCRS and 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.

10. Retirement Plans – Continued:

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, 2008, based upon the actuarial method used for funding purposes:

	SCRS	PORS
Unfunded Accrued Liability	$ 10,964,000,000	$ 956,000,000
Liquidation Period	29 years	30 years

11. 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 61 employees who had retired with the County and were receiving health insurance benefits.

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, 2009, the County recognized expenditures of $10,303,704 for current healthcare premiums.

11. Other Post Employment Benefits (OPEB) – Continued:

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 actuarily 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:

	Governmental	Business-type
Normal Cost for Current Year	$ 2,054,895	$ 99,618
Amortization of Unamortized Accrued Liability	1,358,568	71,504
Annual Required Contribution (ARC)	3,413,463	171,122
Interest on Net OPEB Obligation	118,254	6,224
Adjustment to Annual Required Contribution	(102,092)	(5,374)
Annual OPEB Cost	3,429,625	171,972
Contributions Made	(734,901)	(38,679)
Increase in Net OPEB Obligation	2,694,724	133,293
Net Obligation – Beginning of Year	3,244,727	137,061
Net Obligation – End of Year	$ 5,939,451	$ 270,354

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009 fiscal year were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$2,828,017	27.35%	$ 6,209,805
2008	3,381,788	0%	3,381,788

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was $37.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $37.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $51,950,234, and the ratio of the UAAL to the covered payroll was 72.1 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.

11. 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 January 1, 2009 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 8.00% in 2009 decreasing to the ultimate rate of 5.00% in 2014. Also, the actuarial assumptions included a 3.75% annual salary rate increase and 2.5% 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, 2009 was 29 years.

12. 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, 2009, to cover unused, unpaid Personal Leave including fringe benefits totaled $3,218,387.

The County reports $155,422 as a current liability and $2,953,013 as a long-term liability for governmental activities, while $5,497 as a current liability and $104,455 as a long-term liability for business-type activities.

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.

13. 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.

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, 2009, the County has outstanding construction contracts of $28,831,750.

14. 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.

For all of these risks, the County is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The County pays an annual premium to the State Insurance Reserve Fund for its insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonability 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, 2009 will not materially affect the financial conditions of the County. Therefore, the General Fund contains no provision for estimated claims.

The County has not significantly reduced insurance coverage from the previous year nor has it settled claims in excess of insurance coverage for the last three years that were material.

15. Fund Equity Deficits and Subsequent Events

At June 30, 2009, the accommodations tax program fund had a deficit balance of $26,108 and the clerk of court fund had a deficit balance of $164,062. However, these individual accounts are offset by a positive fund balance in the general fund.

After June 30, 2009, the County entered into several operating leases. The lease payments are reflected in the schedule of minimum commitments for operating lease payments in Note 8.