

CLOSING MEMORANDUM

DOCUMENTS RELATING TO THE ISSUANCE
AND SALE OF \$8,125,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C
OF BEAUFORT COUNTY, SOUTH CAROLINA

Dated: November 18, 2010

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. Certificate of Treasurer.
7. Affidavit of Publication of Notice of Public Hearing in *The Beaufort Gazette* and *The Island Packet* on August 24, 2010.
8. Certified copy of Ordinance No. 2010/14.
9. Affidavit of Publication of Notice of Initiative and Referendum in *The Beaufort Gazette* and *The Island Packet* on September 15, 2010.
10. Certified copy of Minutes.
11. Affidavit of Publication of Summary Notice of Sale in *The State* on October 27, 2010.
12. Preliminary Official Statement.
13. Notice of Sale and Bid Form.
14. Report of Chief Financial Officer.
15. Notice to Levy and Collect.
16. Filing for Debt Issue of Political Subdivision.

B. Documents Delivered by the County

17. Official Statement.
18. Certificates Regarding Initiative and Referendum Provisions.
19. Federal Tax Certificate.
20. Signature and No-Litigation Certificate.
21. Receipt.
22. Certificate of County Administrator Regarding the Official Statement.
23. Specimen of Bond.
24. Form 8038-G.
25. Disclosure Dissemination Agent Agreement.
26. Refunding Trust Agreement.

C. Documents Delivered by the Registrar/Paying Agent.

27. Registrar's Certificate.

D. Documents Delivered by the Purchaser

28. Certificate as to Issue Price.
29. Purchaser's Receipt for the Bonds.

E. Opinion

30. Opinion of McNair Law Firm, Bond Counsel.

F. Miscellaneous.


31. Rating Agency Letters.
32. Verification Report.

STATE OF SOUTH CAROLINA)
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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 \$8,125,000 General Obligation Refunding Bonds, Series 2010C, 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 15 day of May, 2012.



Clerk of Court for Beaufort County, South Carolina

(SEAL)

CLOSING MEMORANDUM

DOCUMENTS RELATING TO THE ISSUANCE
AND SALE OF \$8,125,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C
OF BEAUFORT COUNTY, SOUTH CAROLINA

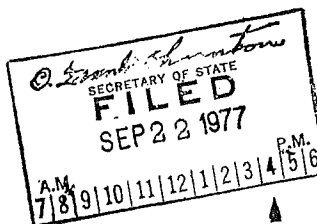
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MAR 27 2009

RESOLUTION



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

Victor J. G. Grier

By:

Arthur Horne
Arthur Horne, Chairman

Georgina Spieler

Attest:

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

STATE OF SOUTH CAROLINA

COUNTY OF BEAUFORT

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CERTIFICATE OF INCUMBENCY

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, 2007 and will expire on June 30, 2011.

2. Joy Logan is Treasurer of Beaufort County, South Carolina, her term of office as such having commenced on July 1, 2007 and will expire on June 30, 2011.

3. I, Jerri Ann Roseneau, am the Clerk of Court for Beaufort County, South Carolina, having been appointed by the Governor on August 7, 2009.

In witness whereof, I have hereunto set my hand as of the 18th day of November, 2010.



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 Council, his current term of office as Chairman having commenced on January 2007, 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, his appointment as such having commenced in January 2009, and will expire at the pleasure of the County Administrator.

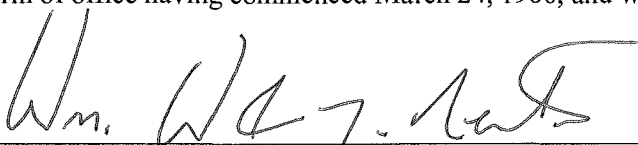
In witness whereof, I have hereunto set my hand and the official seal of the County this 18th day of November, 2010.



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

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COUNTY OF BEAUFORT

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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, 2010, is \$1,954,918,784, which excludes exempt manufacturing property.

In witness whereof, I have hereunto set my hand this 18th day of November, 2010.

Sharon P. Burris

Auditor, Beaufort County, South Carolina

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 November 4, 2010.

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount Outstanding</u>
04/15/2001	4.500%	02/01/2011	\$ 1,530,000
03/01/2002	4.000%-4.875%	02/01/2011-22	11,505,000
06/15/2003	2.875%-5.000%	02/01/2011-23	19,900,000
10/15/2004	3.000%-5.000%	02/01/2011-25	29,150,000
11/02/2006	3.625%-8.000%	03/01/2011-26	15,600,000
11/30/2006	4.000%-5.000%	03/01/2011-26	28,200,000
10/03/2007	4.000%-5.000%	03/01/2011-27	24,675,000
11/07/2007	4.000%-5.000%	02/01/2011-20	17,215,000
03/10/2009	2.500%-3.000%	03/01/2011-12	4,825,000
03/10/2010	2.000%-5.000%	03/01/2011-20	24,205,000
03/10/2010	4.700%-5.625%	03/01/2021-29	<u>24,550,000</u>
Total			\$201,355,000

In witness whereof, I have hereunto set my hand this 18th day of November, 2010.



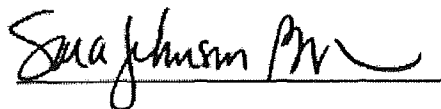
Treasurer, Beaufort County, South Carolina

THE ISLAND PACKET

The Beaufort Gazette

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 and President of *The Island Packet and The Beaufort Gazette*, newspapers published Sunday through Saturday every week in Beaufort County, **McNair Law Firm, P.A., Notice of Public Hearing**, was published in the issue(s) of *The Island Packet/The Beaufort Gazette* on August 24, 2010.



Sara Johnson Borton,
Publisher and President
The Island Packet/The Beaufort Gazette

Subscribed and sworn to before
me this 24th day of August 2010



Notary Public for South Carolina
My Commission Expires July 13, 2020

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 Hilton Head Island Branch Library, 11 Beach City Road, Hilton Head Island at 6:00 p.m. on September 13, 2010.

The purpose of the public hearing is to consider an Ordinance providing for the issuance and sale of General Obligation Refunding Bonds of Beaufort County, South Carolina, in the principal amount of not exceeding \$9,000,000 (the "Bonds"). The proceeds of the bonds will be used together with other available funds of the County for the following purposes: (i) refunding certain maturities of the County's 2002 Bonds; (ii) paying legal and financial advisor fees and other costs of issuance of the Bonds; and (iii) such other lawful purposes as the County Council shall determine.

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. 2010/14

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. 2010/14 entitled "ORDINANCE NO. 2010/14 AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF BEAUFORT COUNTY, SOUTH CAROLINA, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$9,000,000; FIXING THE FORM AND DETAILS OF THE BONDS; AUTHORIZING THE COUNTY ADMINISTRATOR OR HIS LAWFULLY-AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS 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 13, 2010, 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 18th day of November, 2010.



Clerk to County Council of Beaufort County,
South Carolina

(SEAL)

ORDINANCE NO. 2010/14

AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF BEAUFORT COUNTY, SOUTH CAROLINA, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$9,000,000; FIXING THE FORM AND DETAILS OF THE BONDS; AUTHORIZING THE COUNTY ADMINISTRATOR OR HIS LAWFULLY-AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS 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 and Determinations. The County Council (the "County Council"), of Beaufort County, South Carolina (the "County"), hereby finds and determines:

(a) Pursuant to Section 4-9-10, Code of Laws of South Carolina 1976, as amended, and the results of a referendum held in accordance therewith, the Council-Administrator form of government was adopted and the County Council constitutes the governing body of the County.

(b) Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), provides that each county 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. Such debt must be incurred for a public purpose and a corporate purpose in an amount not exceeding eight percent (8%) of the assessed value of all taxable property of such county.

(c) Pursuant to Title 4, Chapter 15 of the Code (the same being and hereinafter referred to as the "County Bond Act"), the governing bodies of the several counties of the State may each issue general obligation bonds to defray the cost of any authorized purpose and for any amount not exceeding its applicable constitutional limit.

(d) The County Bond Act provides that as a condition precedent to the issuance of bonds an election be held and the result be favorable thereto. Title 11, Chapter 27 of the Code of Laws of South Carolina 1976, as amended, provides that if an election be prescribed by the provisions of the County Bond Act, but not be required by the provisions of Article X of the Constitution, 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.

(e) The assessed value of all the taxable property in the County as of June 30, 2009, is \$1,794,765,540. Eight percent of the assessed value is \$143,581,243. 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 \$91,492,866 which includes the Bonds to be Refunded (hereinafter defined). Thus, the County may incur not exceeding \$52,088,377 of additional general obligation debt within its applicable debt limitation.

(f) Pursuant to constitutional and statutory authorizations and Ordinance No. 2002-1 duly enacted by the County Council on January 14, 2002 (the "2002 Ordinance"), the County issued its \$25,100,000 General Obligation Bonds, Series 2002, dated March 1, 2002 (the "Series 2002 Bonds").

(g) The 2002 Bonds are subject to the 8% constitutional debt limit. The difference between the outstanding principal amount of the maturities to be refunded of the 2002 Bonds and the amount needed to refund the certain maturities of the 2002 Bonds will also count against the County's 8% constitutional debt limit.

(h) Sections 11-21-10 to 11-21-80 of the Code of Laws of South Carolina 1976, as amended, empower any "public agency" to utilize the provisions of Article 5, Chapter 15, Title 11 (the "Refunding Act") of the Code of Laws of South Carolina 1976, as amended, to effect the refunding of any outstanding general obligation bonds.

(i) The Series 2002 Bonds are currently outstanding in the amount of \$11,505,000. The Series 2002 Bonds maturing on or after February 1, 2013, are subject to redemption at the option of the County on or after February 1, 2012, in whole or in par at any time, at a redemption price of par together with the interest accrued thereon to the date fixed for redemption.

(j) Based on current market conditions and projected savings, the County Council finds that it is in the best interest of the County to effect a refunding of certain maturities of the Series 2002 Bonds (the "Bonds to be Refunded") because a savings can be effected through the refunding of such Series 2002 Bonds. The County Council recognizes, however, that current market conditions may change and that, as of the date of enactment of this Ordinance, a determination cannot be made as to the amount of such savings, if any, realized through the refunding of the Bonds to be Refunded and that certain authority relating to such refunding is delegated to the County Administrator and/or his lawfully-authorized designee through this Ordinance. Because the Refunding Act requires that refunding bonds be sold at public sale, there can be no assurance that market conditions at the time of such sale will be similar to the prevailing rates on the date of the enactment of this Ordinance. If the rates of interest on the refunding bonds authorized by this Ordinance do not result in satisfactory debt service savings, the County Council, through the authority delegated to the Interim County Administrator and/or his lawfully-authorized designee, will be empowered to reject bids for the purchase of the refunding bonds.

(k) It is now in the best interest of the County for County Council to provide for the issuance and sale of not exceeding \$9,000,000 principal amount general obligation refunding bonds of the County to provide funds for (i) refunding the Bonds to be Refunded; (ii) costs of issuance of the Bonds (hereinafter defined); and (iii) such other lawful purposes as the County Council shall determine.

SECTION 2. Authorization and Details of Bonds. Pursuant to the aforesaid provisions of the Constitution and laws of the State, there is hereby authorized to be issued not exceeding \$9,000,000 aggregate principal amount of general obligation refunding bonds of the County to be designated "\$9,000,000 (or such lesser amount issued) General Obligation Refunding Bonds (appropriate series designation), of Beaufort County, South Carolina" (the "Bonds"), for the purpose set forth in Section 1(k) and other costs incidental thereto, including without limiting the generality of such other costs, engineering, financial and legal fees.

The refunding of the Bonds to be Refunded shall be effected with a portion of the proceeds of the Bonds which proceeds shall be used for the payment of the principal of such Bonds to be Refunded as and when such Bonds to be Refunded mature and are called for redemption in accordance with the provisions of the 2002 Ordinance and interest on such Bonds to be Refunded as and when the same becomes due. If necessary, notice of the aforesaid refunding for which a portion of the proceeds of the Bonds will be used shall be given in a financial paper published in the City of New York, State of New York.

Upon the delivery of the Bonds, the principal proceeds thereof, less issuance expenses, shall be deposited with an escrow agent to be named (the "Escrow Agent") and held by it under a written refunding trust agreement between the Escrow Agent and the County (the "Refunding Trust Agreement") in an irrevocable trust account. It shall be the duty of such Escrow Agent to keep such proceeds invested and reinvested to the extent that it shall be practical in obligations of the United States or any agency thereof and to apply the principal and interest of the trust so established in the manner prescribed in such Refunding Trust Agreement.

The County Administrator and/or his lawfully-authorized designee are hereby authorized and directed for and on behalf of the County to execute such agreements and give such directions as shall be necessary to carry out the provisions of this Ordinance, including the execution and delivery of the Refunding Trust Agreement. The Refunding Trust Agreement shall be dated the date of delivery of the Bonds to the initial purchasers thereof.

Upon the award of the Bonds, the County shall designate the Bonds to be Refunded for redemption on a date determined by the Interim County Administrator and/or his lawfully-authorized designee in accordance with the 2002 Ordinance.

The Bonds shall be issued as fully registered bonds registrable as to principal and interest; shall be dated their date of delivery to the initial purchaser(s) thereof; shall be in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; shall be subject to redemption if such provision is in the best interest of the County; shall be numbered from R-1 upward; shall bear interest from their date payable at such times as hereinafter designated by the County Administrator and/or his lawfully-authorized designee at such rate or rates as may be determined at the time of the sale thereof; and shall mature serially in successive annual installments as determined by the County Administrator and/or his lawfully-authorized designee.

Within twenty-four (24) hours after the receipt of bids, the County Administrator is hereby authorized to designate the registrar and paying agent (the "Registrar/Paying Agent") for the Bonds. The Registrar/Paying Agent shall be a bank, trust company, depository or transfer agent located either within or without the State of South Carolina.

SECTION 3. Delegation of Authority to Determine Certain Matters Relating to the Bonds. The County Council hereby delegates to the County Administrator or his lawfully-authorized designee the authority to determine: (a) the maturity dates of the Bonds and the respective principal amounts maturing on such dates; (b) the interest payment dates of the Bonds; (c) redemption provisions, if any, for the Bonds; (d) the date and time of sale of the Bonds; (e) the authority to receive bids on behalf of the County Council; (f) the Registrar/Paying Agent for the Bonds, and (g) the authority to award the sale of the Bonds to the lowest bidder therefor in accordance with the terms of the Notice of Sale for the Bonds.

After the sale of the Bonds, the County Administrator and/or his lawfully-authorized designee shall submit a written report to County Council setting forth the details of the Bonds as set forth in this paragraph.

SECTION 4. Registration, Transfer and Exchange of Bonds. 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 Bonds. 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 Bonds under such reasonable regulations as the Registrar/Paying Agent may prescribe.

Each Bond 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 Bond the Registrar/Paying Agent on behalf of the County shall issue in the name of the transferee a new fully registered Bond or Bonds, of the same aggregate principal amount, interest rate, and maturity as the surrendered Bond. Any Bond surrendered in exchange for a new registered Bond 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 Bond shall be registered upon the registry books as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal of and interest on such Bond 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 Bond 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 Bonds is exercised, the County shall execute and the Registrar/Paying Agent shall authenticate and deliver Bonds 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 Bonds during the fifteen (15) days preceding an interest payment date on such Bonds.

SECTION 5. 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 Bonds, and such record date shall be the fifteenth (15th) day (whether or not a business day) preceding an interest payment date on such Bond or in the case of any proposed redemption of Bonds, such record date shall be the fifteenth (15th) day (whether or not a business day) prior to the giving of notice of redemption of bonds.

SECTION 6. Mutilation, Loss, Theft or Destruction of Bonds. In case any Bond shall at any time become mutilated in whole or in part, 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 shall authenticate and deliver at the principal office of the Registrar, or send by registered mail to the owner thereof at his request, risk and expense a new Bond of the same series, 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 Bond, or in lieu of or in substitution for such lost, stolen or destroyed Bond. In any such event the applicant for the issuance of a substitute Bond shall furnish the County and the Registrar evidence or proof satisfactory to the County and the Registrar of the loss, destruction, mutilation, defacement or theft of the original Bond, and of the ownership thereof, and also such security and indemnity in an 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. Any duplicate Bond issued under the provisions of this Section in

exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Ordinance as was the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same series issued hereunder.

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

SECTION 7. Execution of Bonds. The Bonds shall be executed in the name of the County with the manual or facsimile signature of the Chairman of the County Council attested by the manual or facsimile signature of the Clerk to the County Council under a facsimile of the seal of the County impressed, imprinted or reproduced thereon; provided, however, the facsimile signatures appearing on the Bonds may be those of the officers who are in office on the date of enactment of this Ordinance. The execution of the Bonds in such fashion shall be valid and effectual, notwithstanding any subsequent change in such offices. The Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. Each Bond shall bear a certificate of authentication manually executed by the Registrar in substantially the form set forth herein.

SECTION 8. Form of Bonds. The Bonds and the certificate of authentication shall be in substantially the form set forth in Exhibit A attached hereto and incorporated herein by reference.

SECTION 9. Security for Bonds. The full faith, credit, and taxing power of the County are hereby irrevocably pledged for the payment of the principal of and interest on the Bonds as they respectively mature, and for the creation of such sinking fund as may be necessary therefor. 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, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

The County Council shall give the County Auditor and County Treasurer written notice of the delivery of and payment for the Bonds and they are hereby directed to levy and collect annually, on all taxable property in the County, a tax, without limit, sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

SECTION 10. Notice of Public Hearing. The County Council hereby ratifies and approves the publication of a notice of public hearing regarding the Bonds and this Ordinance, such notice in substantially the form attached hereto as Exhibit B, 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 11. Initiative and Referendum. The County Council hereby delegates to the County Administrator and/or his lawfully-authorized designee the authority to determine whether the Notice prescribed under the provisions of Section 5 of Title 11, Chapter 27 of the Code relating to the initiative and referendum provisions contained in Title 4, Chapter 9, Article 13 of the Code shall be given with respect to this Ordinance. If said Notice is given, the County Administrator and/or his lawfully-authorized designee are authorized to cause such Notice to be published in a newspaper of general circulation in the County, in substantially the form attached hereto as Exhibit C.

SECTION 12. Exemption from State Taxes. Both the principal of and interest on the Bonds shall be exempt, in accordance with the provisions of Section 12-2-50 of the Code of Laws of South Carolina 1976, as amended, from all State, county, municipal, County and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

SECTION 13. Tax Covenants. The County hereby covenants and agrees with the holders of the Bonds that it will not take any action which will, or fail to take any action which failure will, cause interest on the Bonds to become includable in the gross income of the holders of the Bonds for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Bonds. The County further covenants and agrees with the holders of the Bonds that no use of the proceeds of the Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Bonds would have caused the Bonds to be "arbitrage bonds," as defined in Section 148 of the Code, and to that end the County hereby shall:

- (a) comply with the applicable provisions of Sections 103 and 141 through 150 of the Code and any regulations promulgated thereunder so long as the Bonds are outstanding;
- (b) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and
- (c) make such reports of such information at the time and places required by the Code.

SECTION 14. Book-Entry System. The Bonds initially issued (the "Initial Bonds") will be eligible securities for the purposes of the book-entry system of transfer maintained by The Depository Trust Company, New York, New York ("DTC"), and transfers of beneficial ownership of the Initial Bonds shall be made only through DTC and its participants in accordance with rules specified by DTC. Such beneficial ownership must be of \$5,000 principal amount of Bonds of the same maturity or any integral multiple of \$5,000.

The Initial Bonds shall be issued in fully-registered form, one Bond for each of the maturities of the Bonds, in the name of Cede & Co., as the nominee of DTC. When any principal of or interest on the Initial Bonds becomes due, the Paying Agent, on behalf of the County, shall transmit to DTC an amount equal to such installment of principal and interest. DTC shall remit such payments to the beneficial owners of the Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to DTC in accordance with the provisions of the Ordinance.

If (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the County has advised DTC of its determination that DTC is incapable of discharging its duties, the County shall attempt to retain another qualified securities depository to replace DTC. Upon receipt by the County the Initial Bonds together with an assignment duly executed by DTC, the County shall execute and deliver to the successor securities depository Bonds of the same principal amount, interest rate, and maturity registered in the name of such successor.

If the County is unable to retain a qualified successor to DTC or the County has determined that it is in its best interest not to continue the book-entry system of transfer or that interests of the beneficial owners of the Bonds might be adversely affected if the book-entry system of transfer is continued (the County undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify beneficial owners of the Bonds by mailing an appropriate notice to DTC, upon receipt by the County the Initial Bonds together with an assignment duly executed by DTC, the County shall execute, authenticate and deliver to the DTC participants Bonds in fully-registered form, in substantially the form set forth in Section 8 of this Ordinance in the denomination of \$5,000 or any integral multiple thereof.

Notwithstanding the foregoing, at the request of the purchaser, the Bonds will be issued as one single fully-registered bond and not issued through the book-entry system.

SECTION 15. Sale of Bonds, Form of Notice of Sale. The Bonds shall be offered for public sale on the date and at the time designated by the County Administrator and/or his lawfully-authorized designee. A Notice of Sale in substantially the form set forth as Exhibit D attached hereto and incorporated herein by reference shall be distributed to prospective bidders and a summary of such Notice of Sale shall be published in a newspaper of general circulation in the State of South Carolina and/or in a financial publication published in the City of New York not less than seven (7) days prior to the date set for such sale.

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

SECTION 17. Filings with Central Repository. In compliance with Section 11-1-85, South Carolina Code of Laws 1976, as amended, the County covenants that it will file or cause to be filed with a central repository for availability in the secondary bond market when requested: (a) a copy of the annual financial report of the County within thirty (30) days from the County's receipt thereof; and (b) within thirty (30) days of the occurrence thereof, relevant information of an event which adversely affects more than five (5%) percent of the revenues of the County or the County's tax base.

SECTION 18. Continuing Disclosure. In compliance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") the County covenants and agrees for the benefit of the holders from time to time of the Bonds to execute and deliver prior to closing, and to thereafter comply with the terms of a Disclosure Dissemination Agent Agreement in substantially the form appearing as Exhibit E attached to this Ordinance. In the event of a failure of the County to comply with any of the provisions of the Disclosure Dissemination Agent Agreement, an event of default under this Ordinance shall not be deemed to have occurred. In such event, the sole remedy of any bondholder or beneficial owner shall be an action to compel performance by this Ordinance.

SECTION 19. Deposit and Use of Proceeds. The proceeds derived from the sale of the Bonds necessary to refund the Bonds to be Refunded shall be deposited with the Escrow Agent pursuant to the terms of the Refunding Trust Agreement. The remaining proceeds, if any, shall be deposited with the

County Treasurer in a special fund to the credit of the County and shall be applied solely to the purposes for which the Bonds have been issued, including payment of costs of issuance of the Bonds.

SECTION 20. Defeasance. The obligations of the County under this Ordinance and the pledges, covenants and agreements of the County herein made or provided for, shall be fully discharged and satisfied as to any portion of the Bonds, and such Bond or Bonds shall no longer be deemed to be outstanding hereunder when:

(a) such Bond or Bonds 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 Bonds 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 a corporate trustee in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, or (2) Government Obligations (hereinafter defined) 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 corporate trustee. At such time as the Bonds shall no longer be deemed to be outstanding hereunder, such Bonds 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, shall no longer be secured by or entitled to the benefits of this Ordinance.

“Government Obligations” shall mean any of the following:

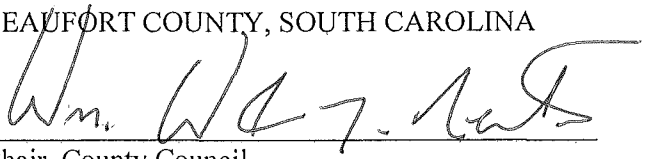
- (a) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America;
- (b) non-callable, U. S. Treasury Securities - State and Local Government Series (“SLGS”); and
- (c) general obligation bonds of the State, its institutions, agencies, school districts and political subdivisions.

SECTION 21. Miscellaneous. The County Council hereby authorizes the County Administrator, Chair of the County Council, the Clerk to the County Council and County Attorney to execute such documents and instruments as necessary to effect the issuance of the Bonds. The County Council hereby retains McNair Law Firm, P.A., as bond counsel and Ross, Sinclaire & Associates, LLC, as financial advisor in connection with the issuance of the Bonds. The County Administrator is further authorized to execute such contracts, documents or engagement letters as may be necessary and appropriate to effectuate these engagements.

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

Enacted this 13th day of September, 2010.

BEAUFORT COUNTY, SOUTH CAROLINA


Chair, County Council

(SEAL)

ATTEST:


Clerk, County Council

First Reading:	August 9, 2010
Second Reading:	August 23, 2010
Public Hearing:	September 13, 2010
Third and Final Reading:	September 13, 2010

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
COUNTY OF BEAUFORT
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010_

No. R-

<u>INTEREST</u>	<u>MATURITY</u>	<u>ORIGINAL</u>	
<u>RATE</u>	<u>DATE</u>	<u>ISSUE DATE</u>	<u>CUSIP</u>

REGISTERED HOLDER:

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of _____ in _____ (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable _____ 1, 20____, and semiannually on _____ 1 and _____ 1 of each year thereafter, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently _____ in _____ (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

This Bond is one of a series of Bonds of like date of original issue, tenor and effect, except as to number, denomination, date of maturity, redemption provisions, and rate of interest, aggregating _____ Dollars (\$ _____), issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including Article X of the Constitution of the State of South Carolina, 1895, as amended; Title 4, Chapter 15, Code of Laws of South Carolina 1976, as amended; Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended; and Ordinance No. _____ duly enacted by the County Council on _____, 2010.

[Redemption Provisions]

This Bond is transferable as provided in the Ordinance, only upon the books of the County kept for that purpose at the principal office of the Registrar by the registered holder in person or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered holder or his duly authorized attorney. Thereupon a new fully registered Bond or Bonds of the same aggregate principal amount, interest rate redemption provisions, if any, and maturity shall be issued to the transferee in exchange therefor as provided in the Ordinance. The County, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

Under the laws of the State of South Carolina, this Bond and the interest hereon are exempt from all State, county, municipal, County and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

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 and to be performed precedent to or in the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law; that the amount of this Bond, together with all other indebtedness of the County, does not exceed the applicable limitation of indebtedness under the laws of the State of South Carolina; and that provision has been made for the levy and collection of a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as the same shall respectively mature and to create such sinking fund as may be necessary therefor.

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

BEAUFORT COUNTY, SOUTH CAROLINA

Chair of County Council

(SEAL)

ATTEST:

Clerk of County Council

[FORM OF REGISTRAR'S CERTIFICATE OF AUTHENTICATION]

Date of Authentication:

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

as Registrar

By: _____
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond 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

(State)

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

[FORM OF ASSIGNMENT]

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

(Name and address of Transferee)

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

Dated:

Signature Guaranteed:

(Authorizing Officer)

Signature(s) must be guaranteed
by an institution which is a
participant in the Securities
Transfer Agents Medallion
Program ("STAMP") or similar
program.

NOTICE: The signature to this agreement
this agreement must correspond with the
name of the registered holder as it appears
upon the face of the within Bond in every
particular, without alteration or enlargement
or any change whatever.

A copy of the final approving opinion to be rendered shall be attached to each Bond and preceding the same a certificate shall appear, which shall be signed on behalf of the County with a manual or facsimile signature of the Clerk to the County Council. The certificate shall be in substantially the following form:

[FORM OF CERTIFICATE]

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the complete final approving opinion (except for date and letterhead) of McNair Law Firm, P.A., Columbia, South Carolina, approving the issue of Bonds of which the within Bond is one, the original of which opinion was manually executed, dated and issued as of the date of delivery of and payment for the Bonds and a copy of which is on file with the County Council of Beaufort County, South Carolina.

BEAUFORT COUNTY, SOUTH CAROLINA

By: _____
Clerk of County Council

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"), County Administration Building, 100 Ribaut Road, Beaufort, South Carolina, at 6:00 p.m. on _____, 2010.

The purpose of the public hearing is to consider an Ordinance providing for the issuance and sale of General Obligation Refunding Bonds of Beaufort County, South Carolina, in the principal amount of not exceeding \$9,000,000 (the "Bonds"). The proceeds of the bonds will be used together with other available funds of the County for the following purposes: (i) refunding certain maturities of the County's 2002 Bonds; (ii) paying legal and financial advisor fees and other costs of issuance of the Bonds; and (iii) such other lawful purposes as the County Council shall determine.

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

NOTICE OF ADOPTION OF ORDINANCE

Notice is hereby given that on _____, 2010, the Beaufort County Council adopted an ordinance entitled: "ORDINANCE NO. _____" (the "Ordinance").

The proceeds of the bonds will be used together with other available funds of the County for the following purposes: (i) refunding certain maturities of the County's 2002 Bonds; (ii) paying legal and financial advisor fees and other costs of issuance of the bonds; and (iii) such other lawful purposes as the County Council shall determine.

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.

COUNTY COUNCIL OF BEAUFORT COUNTY,
SOUTH CAROLINA

FORM OF NOTICE OF SALE

OFFICIAL NOTICE OF SALE

\$ _____ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010_,
OF BEAUFORT COUNTY, SOUTH CAROLINA

Time and Place of Sale: NOTICE IS HEREBY GIVEN that sealed bids, facsimile bids and electronic bids will be received on behalf of Beaufort County, South Carolina (the "County"), _____, Beaufort, South Carolina, until 11:00 a.m, South Carolina time, on _____, _____, 2010, at which time said proposals will be publicly opened for the purchase of \$ _____ General Obligation Refunding Bonds, Series 2010_, of the County (the "Bonds").

Sealed Bids: Each hand delivered proposal shall be enclosed in a sealed envelope marked "Proposal for \$ _____ General Obligation Refunding Bonds, Series 2010_, Beaufort County, South Carolina" and should be directed to the County Administrator at the address in the first paragraph hereof.

Facsimile Bids: The County will accept the facsimile transmission of a manually signed Official Bid Form at the risk of the Bidder. The County shall not be responsible for the confidentiality of bids submitted by facsimile transmission. Any delay in receipt of a facsimile bid, and any incompleteness or illegible portions of such bid are the responsibility of the bidder. Bids by facsimile should be transmitted to the attention of the County Administrator, fax number (843) _____.

Electronic Bids: 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, 2nd Floor, New York, New York 10018, Customer Support, telephone (212) 849-5021.

PROPOSALS MAY BE DELIVERED BY HAND, BY MAIL, BY FACSIMILE TRANSMISSION OR BY ELECTRONIC BID, BUT NO PROPOSAL SHALL BE CONSIDERED WHICH IS NOT ACTUALLY RECEIVED BY THE COUNTY AT THE PLACE, DATE AND TIME APPOINTED, AND THE COUNTY SHALL NOT BE RESPONSIBLE FOR ANY FAILURE, MISDIRECTION, DELAY OR ERROR RESULTING FROM THE SELECTION BY ANY BIDDER OF ANY PARTICULAR MEANS OF DELIVERY OF BIDS.

Book-Entry-Only Bonds: The Bonds will be issued in fully-registered form. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such Bond will be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

The Bonds will be issued in fully-registered form registered as to principal and interest; will be dated _____, 2010; will be in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing in each year; and will mature serially in successive annual installments on _____ in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
-------------	--------------------------	-------------	--------------------------

*Preliminary, subject to adjustment.

Adjustment of Maturity Schedule. The County reserves the right, in its sole discretion, either to decrease or increase the principal amount of the Bonds maturing in any year (all calculations to be rounded to the near \$5,000), provided that any such decrease or increase shall not exceed 10% of the Bonds. Such adjustment(s), if any, shall be made within twenty-four (24) hours of the award of the Bonds. In order to calculate the yield on the Bonds for federal tax law purposes and as a condition precedent to the award of the Bonds, bidders must disclose to the County in connection with their respective bids the price (or yield to maturity) at which each maturity of the Bonds will be reoffered to the public.

In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Nevertheless, the award of the Bonds will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

The Bonds will bear interest from the date thereof payable semiannually on _____ and _____ of each year, commencing _____, until they mature.

[Redemption Provisions]

Registrar/Paying Agent: Within twenty-four (24) hours after the receipt of bids, the County will designate the registrar and paying agent (the "Registrar/Paying Agent") for the Bonds. The Registrar/Paying Agent shall be a bank, trust company, depository or transfer agent located either within or without the State of South Carolina.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the Bonds are to bear, to be expressed in multiples of 1/20 or 1/8 of 1% and the interest rate specified for any maturity shall not be lower than the interest rate specified for any previous maturity. Bidders are not limited as to the number of rates of interest named, but the rate of interest on each separate maturity must be the same single rate for all Bonds of that maturity from their date to such maturity date. A bid for less than all the Bonds, a bid at a price less than par or a bid which includes a premium in excess of 10% of the par amount of the Bonds will not be considered. In addition to the bid price, the successful bidder must pay accrued interest from the date of the Bonds to the date of full payment of the purchase price.

Award of Bid. The Bonds will be awarded to the bidder or bidders offering to purchase the Bonds at the lowest true interest cost (TIC) to the County. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount all debt service payments on the Bonds (computed at the interest rates specified in the bid and on the basis of a 360-day year of twelve 30-day months) to the dated date of the Bonds, results in an amount equal to the price bid for the Bonds. In the case of a tie bid, the winning bid will be awarded by lot. The County reserves the right to reject any and

all bids or to waive irregularities in any bid. Bids will be accepted or rejected no later than 3:00 p.m., South Carolina time, on the date of the sale.

Security: The full faith, credit, and taxing power of the County are hereby irrevocably pledged for the payment of the principal of and interest on the Bonds as they respectively mature, and for the creation of such sinking fund as may be necessary therefor. There shall be levied annually by the Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, an ad valorem tax, without limit, on all taxable property in the County sufficient to pay the principal and interest of the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

Good Faith Deposit: No good faith deposit is required.

Bid Form: Proposals should be enclosed in a separate sealed envelope marked "Proposal for \$_____ General Obligation Refunding Bonds, Series 2010_ of Beaufort County, South Carolina" and should be directed to the County Administrator at the address in the first paragraph hereof. It is requested but not required that you submit your bid on the Proposal for Purchase of Bonds supplied with the Official Statement.

Official Statement: Upon the award of the Bonds, the County will prepare an official statement (the "Official Statement") in substantially the same form as the preliminary official statement subject to minor additions, deletions and revisions as required to complete the Official Statement. Within seven (7) business days after the award of the Bonds, the County will deliver the Official Statement to the successful bidder in sufficient quantity to comply with Rule G-32 of the Municipal Securities Rulemaking Board. The successful bidder agrees to supply to the County all necessary pricing information and any Underwriter identification necessary to complete the Official Statement within 24 hours after the award of the Bonds.

Continuing Disclosure: In order to assist the bidders in complying with S.E.C. Rule 15c2-12(b)(5), the County will undertake, pursuant to an ordinance and a continuing disclosure certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The County Council shall furnish upon delivery of the Bonds the final approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, which opinion shall accompany each Bond, together with the usual closing documents, including a certificate of the County that no litigation is pending affecting the Bonds.

Certificate as to Issue Price: The successful bidder must provide a certificate to the County by the date of delivery of the Bonds, stating the initial reoffering price of the Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of the Bonds were sold to the public, in form satisfactory to Bond Counsel. A sample copy of such a certificate may be obtained from Bond Counsel.

Delivery: The Bonds will be delivered on or about _____, 2010, in New York, New York, at the expense of the County. The balance of the purchase price then due, including the amount of accrued interest, must be paid in federal funds or other immediately available funds.

BEAUFORT COUNTY, SOUTH CAROLINA

s/ _____
Chair of County Council

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of _____, 2010, 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 Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repository.

“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.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Bonds” means the obligations of the Issuer 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 Repository 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.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds as listed on Appendix A.

“Repository” means the MSRB through its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

“Trustee” means the institution identified as Registrar/Paying Agent 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 the Repository not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010. 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 the Repository 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 the Repository 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) upon receipt, promptly file each Annual Report received under Section 2(a) with the Repository;
- (ii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the Repository;
- (iii) upon receipt, promptly file the text of each disclosure to be made with the Repository 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.

- (iv) 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 Repository, 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: "THE BONDS - Security," "DEBT STRUCTURE - Outstanding Indebtedness," "CERTAIN FISCAL MATTERS - 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 the Repository. If the document incorporated by reference is a final official statement, it must be available from the Repository. 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 Repository.

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 Repository, 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), except the capacity of the Issuer to enter into this Disclosure Agreement and its enforceability against the Issuer shall be governed by and construed in accordance with the laws of the State of South Carolina.

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 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 Kubic
Title: County Administrator

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 Refunding Bonds, Series 2010_, \$_____
Date of Issuance:	_____, 2010
Date of Official Statement	_____, 2010
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 Refunding Bonds, Series 2010_, \$_____
Date of Issuance: _____, 2010
Date of Official Statement _____, 2010

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 _____, 2010, 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 Repository, 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: _____

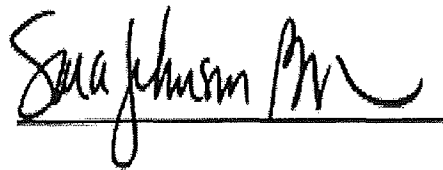
City, State, Zip Code: _____

Voice Telephone Number: _____

THE ISLAND PACKET
The Beaufort Gazette

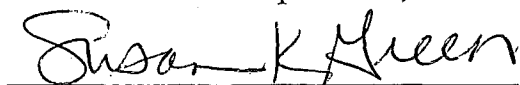
STATE OF)
SOUTH CAROLINA) AFFIDAVIT
COUNTY OF BEAUFORT)

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 and President of *The Island Packet and The Beaufort Gazette*, newspapers published Sunday through Saturday every week in Beaufort County, **NOTICE OF ADOPTION OF ORDINANCE**, Notice is hereby given that on September 13, 2010, the Beaufort County Council adopted an ordinance entitled: **"ORDINANCE NO. 2010/14 AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF BEAUFORT COUNTY, SOUTH CAROLINA, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$9,000,000; FIXING THE FORM AND DETAILS OF THE BONDS; AUTHORIZING THE COUNTY ADMINISTRATOR OR HIS LAWFULLY-AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS AND THE DISPOSITION OF THE PROCEEDS THEREOF; AND OTHER MATTERS RELATING THERETO"** (the **"Ordinance"**), was published in the issue(s) of *The Island Packet/The Beaufort Gazette* on September 15, 2010.



Sara Johnson Borton,
Publisher and President
The Island Packet/The Beaufort Gazette

Subscribed and sworn to before
me this 15th of September, 2010.



Notary Public for South Carolina
My Commission Expires on July 13, 2020

**NOTICE OF ADOPTION
OF ORDINANCE**

Notice is hereby given that on September 13, 2010, the Beaufort County Council adopted an ordinance entitled: "ORDINANCE NO. 2010/14 AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF

BEAUFORT COUNTY, SOUTH CAROLINA, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$9,000,000; FIXING THE FORM AND DETAILS OF THE BONDS; AUTHORIZING THE COUNTY ADMINISTRATOR OR HIS LAWFULLY-AUTHORIZED DESIGNEE TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS AND THE DISPOSITION OF THE PROCEEDS THEREOF; AND OTHER MATTERS RELATING THERETO" (the "Ordinance").

The proceeds of the bonds will be used together with other available funds of the County for the following purposes: (i) refunding certain maturities of the County's 2002 Bonds; (ii) paying legal and financial advisor fees and other costs of issuance of the bonds; and (iii) such other lawful purposes as the County Council shall determine.


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.

COUNTY COUNCIL OF
BEAUFORT COUNTY,
SOUTH CAROLINA

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 excerpts of minutes of meetings of the County Council of the County held on August 9, 2010, August 23, 2010, and September 13, 2010, 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. 2010/14 which authorizes the issuance and sale of not exceeding \$9,000,000 General Obligation Refunding Bonds of the County.

In witness whereof, I have hereunto set my hand this 18th day of November, 2010.



Clerk to County Council of Beaufort County,
South Carolina

(SEAL)

August 9, 2010

Official Proceedings
County Council of Beaufort County
August 9, 2010

The electronic and print media was 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. on Monday, August 9, 2010, in Council Chambers of the Administration Building, 100 Ribaut Road, Beaufort, South Carolina.

ATTENDANCE

Chairman Weston Newton, Vice Chairman D. Paul Sommerville and Councilmen Steven Baer, Rick Caporale, Gerald Dawson, Brian Flewelling, Herbert Glaze, William McBride, Stu Rodman and Laura Von Harten were present. Gerald Stewart absent.

PLEDGE OF ALLEGIANCE

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

INVOCATION

Councilman Gerald Dawson gave the Invocation.

MOMENT OF SILENCE

The Chairman called for a moment of silence in remembrance of Doug Bauer, whodied Tuesday, August 3, 2010 at the Medical University of South Carolina in Charleston. He was employed with Beaufort County as Supervisor of Facilities Maintenance for more than 15 years. He was a member of Harmony Lodge #22 AFM and served his country in the United States Marines.

REVIEW OF PROCEEDINGS OF THE REGULAR MEETING HELD JULY 26, 2010

It was moved by Mr. McBride, seconded by Mr. Glaze, that Council approve the minutes of the regular meeting held July 26, 2010. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville and Ms. Von Harten. ABSENT – Mr. Stewart. The motion passed.

PUBLIC COMMENT

The Chairman recognized Mr. Michael Lambuth, who is speaking on behalf of the Fins Swim Team as well as present swimmers, potential student athletes and a number of fellow county residents. One of his fondest childhood memories was swimming with friends and family at a municipal pool. It is where he learned to swim and was taught the basics of water safety. Given the water activities in Beaufort County, the benefits of accessible and safe aquatic facility to learn, practice and expand aquatic skills cannot be understated. He is before Council to seek endorsement and support of an aquatic center at Buckwalter Regional Park (Park). An aquatic center at this Park has been part of the Master Plan; therefore, there is no time like the present to initiate some action of its construction. County-operated swimming pools are aging and becoming overcrowded, which limits the ability for groups and individuals to use the facilities, and is even forcing some swimming teams, such as the Fins, to seek use of private community pools as well as travel to Savannah just to train. A properly designed and modern facility would address these problems and provide numerous opportunities and benefits to residents of all ages. An aquatic center would introduce children to the fun, enjoyment and benefits of swimming and, most importantly, in an area to teach water safety in a monitored environment. It would also provide a place for family and friends to enjoy the water year round, hot or cold. It would provide a central gathering point for people of all ages to engage in group activities that will prompt healthy lifestyles and improve individual fitness. As a training facility, this would be a convenient location for year-round student and team training as they prepare to participate in organized competitive swimming and activity that establishes friendships, builds camaraderie, boosts self esteem and can lead to scholarship opportunities for our young people. This facility could also host aquatic rehabilitation programs that can help injured people return to an active lifestyle by providing a year-round location for low-impact strengthening exercises. Designed around a large lap pool and a training and hydrotherapy pool a facility of this nature would not only benefit the health and enjoyment of everyone, but could also help generate some local business revenue. Designed not only for local community use, but also to support regional swimming competitions, this facility could periodically bring in hundreds of swimmers and their families from throughout South Carolina and adjacent states. These visitors would stay in our hotels, eat in our restaurants and patronize our local businesses. As our communities continue to grow, this introduction of a functional aquatic center at the Park will answer current and future needs of a growing community. It would be an investment in our community that would benefit all for decades to come. He submitted a petition containing 1,400 signatures calling on County Council and Bluffton Town Council to proceed with designing and constructing of an Aquatic Fitness Center at the Buckwalter Regional Park.

The Chairman commented there is probably not a member of Council who would not like to see an aquatic center at Buckwalter at some point. Funds, obviously, are a little bit challenging in this current economic environment. The gymnasium, skate park, soccer fields opened this year. Park impact fees paid in southern Beaufort County, i.e., a consideration portion thereof, have been used to pay for those facilities. In the present environment it is an impact fee that does not generate very much money. Hopefully, in a not-to-distance future we will be at a point where we are talking about moving forward in those directions.

Mr. Merritt Patterson, a Beaufort City resident, spoke to a drainage issue along SC Highway 802 and the performance of the Dennis Corporation. He owns some 53 acres on both sides of the highway along Shell Point Elementary School. As you know, the county is funding with public funds improvements to that highway as well as other highway improvements countywide. From the early days he recognized that these improvements would generate a potential drainage issue. He participated in both public hearings, met individually with Collins Engineering (design engineer working as a subcontractor for Dennis Corp.) and subsequently sent a letter to county engineering that referred him to the Dennis Corporation. The road is actually being elevated for various reasons and the contractor has filled all roadside ditches. From the outset, before the design was completed, Mr. Patterson wanted the back drainage, so the water that went in the ditches had somewhere to go. The land is low and flat. It does not drain well. And that is why it was never developed. It runs from an elevation 20 down to elevation 10. It is ditch on his families' farm, from the 1920s, that drains the water. This road is four to five feet -- basically a dike. He has repeatedly tried to get the Dennis Corporation to meet with Mr. Jim O'Connor, with Collins Engineering, and review the design from the beginning. They have never met. The last meeting Mr. Patterson had with Ms. Myer Manning, field engineer for Dennis Corp., was May 3, 2010. Ms. Manning saw the file where the issue had not been addressed, promised to look into the matter, promised not to sit on it and promised she would get back with him. As of this date, Mr. Patterson has not heard back from Ms. Manning. Mr. Patterson contacted him today and yet received another apology. Mr. Patterson is before Council to tell members that an apology will not make the water drain anywhere. He needs Ms. Manning to address the problem. Mr. Patterson does not think the Dennis Corporation is doing Council a good service and is asking Council today, as an oversight, to direct the County Administrator and Engineering Department to look into this. After two years of attempting to have Collins Engineering and Dennis Corporation to look into it, they are refusing to do so or are unable to do so. Mr. Patterson is unable to resolve this issue. Obviously, when we cannot resolve something, bad things occur.

Mrs. Andrea Allen, representing Citizens Against Violence Everywhere (CAVE), announced an upcoming event that will benefit our youth and adults. The second Youth Speak Out in Beaufort County, sponsored by CAVE and Boys and Girls Club of the Lowcountry, will be held Saturday,

August 28 at the Boys and Girls Club of Hilton Head Island. This event will run from 4:00 p.m. to 7:00 p.m. The program will feature entertainment, youth speaking out on issues that concern them in a variety of ways including skits, poetry, or the speaking word (as we now call it), speeches, rap and community motivation speakers. We invite all youth, parents and concerned adults to come out for this event. CAVE is a broad-based grassroots community coalition of key stakeholders including parents, youth local citizens, politicians, law enforcement and businesses with a vision of creating a non-violent, safe and nurturing community. We are dedicated and encourage our citizens to stand against violence, drugs, gangs and other threats to our children and young adults. Hosting community forums, CAVE seeks to increase awareness and support programs that provide wholesome, youth and family activities. Decreasing violence in our neighborhoods and creating a safe, wholesome Beaufort County is important to all of us who live here and can only be accomplished by all of us taking an active role in our commitment to wanting a safe environment for all of our families.

Mr. Glaze encouraged Council and others to attend this important event.

Mr. Rob Rhodin, a Beaufort City resident, inquired of the status of burying the power lines in the City of Beaufort.

The Chairman replied that is a matter for Beaufort City Council. He asked Mr. Rob McFee, Deputy Director Engineering and Infrastructure, if he had any information on the particulars of putting the power lines underground.

Mr. McFee replied the only subject he is familiar with is burying of power lines on Boundary Street. He will provide Mr. Rhodin contact information for the Beaufort City Manager and City Councilmen.

COUNTY ADMINISTRATOR'S REPORT

The County Channel

Mr. Gary Kubic, County Administrator, said The County Channel upcoming productions demonstrates our capacity as Council and Administration to find ways to better communicate with our citizens. The Broadcast Services Team is working with MIS on the new County website. They are arranging a special video presentation that will appear online to help citizens understand the layout of the new site. This involves use of a "green screen" effect, which allows video to overlay the text in a visually advanced and exciting new way. The South Carolina Association of Counties held its annual conference last week on Hilton Head Island. Chairman Newton gave welcoming remarks which were captured on video by The County Channel and will air this week between programs. The Broadcast Services Team is also working with USCB on a Sandshark Baseball recruitment video to recruit new team players and students. The project is part of an ongoing partnership with USCB to broadcast baseball and possibly other sports in the future.

Two-Week Progress Report

Mr. Gary Kubic, County Administrator, circulated copies of his Two-Week Progress Report, which summarized his activities from July 26, 2010 through July 23, 2010.

Recognition of Fred Furman, Disabilities and Special Needs Employee

Mr. Gary Kubic, County Administrator, remarked it is always heartening to learn about a Beaufort County employee who has gone above and beyond in his job to help one of our citizens. Beaufort County Disabilities and Special Needs service worker, Mr. Fred Furman, wanted to help Mr. Cassie Hamilton of Lady's "Island", a client who needed some special assistance. She needed a better place to live and Fred Furman could not sit idly by. Through the help of volunteers, he found Ms. Hamilton a new mobile home. It came from a church group in Mt. Pleasant. He also arranged for volunteers to have it set up on her property. He then found a team of your people from Main Street United Methodist Church in Dillon and arranged for them to stay at the Sea Island Presbyterian Church while they built a large wheelchair ramp. All of this is not in Fred's job description, but he went the extra mile. Fred Furman did not have to extend himself in this manner. But, he worked beyond his regular duties to help Ms. Hamilton.

The Chairman recognized Fred Furman and on behalf of Council presented him a plaque for his commitment to helping people in need and for his professionalism, dedication and willingness to go above and beyond the call of duty.

DEPUTY COUNTY ADMINISTRATOR'S REPORT

Four-Week Progress Report

Mr. Bryan Hill, Deputy County Administrator, circulated copies of his Two-Week Progress Report, which summarized his activities from July 26, 2010 through August 6, 2010.

South Carolina Association of Counties / J. Mitchell Graham Memorial Award

Mr. Bryan Hill, Deputy County Administrator, reported the County participated in the J. Mitchell Graham Memorial award competition at the annual conference of the South Carolina Association of Counties. Beaufort County entered *The County Channel* as its project. The narrative provided an overview, history and creation of the channel and talked about the geographic challenges the county faces. Mr. Hill and Mr. Scott Grooms played a three-minute video which highlighted our program and then answered questions from the three judges. Beaufort County was not the recipient of this year's award, but did receive a participation plaque. The award is presented by the South Carolina Association of Counties for progress and achievement by a County government in South Carolina. This competition is an effort by the Association of Counties to recognize outstanding accomplishments by County governments in our State. The award is presented as a tribute to the influence and leadership of the late J. Mitchell Graham, a member of Charleston County Council for 18 years, 10 of those years as Chairman. Mitchell Graham also served as president of the Association of Counties.

Mr. Newton thanked Mr. Scott Grooms, Ms. Suzanne Larson and Mr. Rob Lewis for all their good work they do with The County Channel and broadcasting of public information.

PHASE 5A ROADWAY PORTION ONLY

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 4, 2010 Public Facilities Committee meeting.

It was moved by Mr. Rodman, seconded by Mr. Glaze, that Council award a contract to Cleland Site Prep, Inc. in the amount of \$11,578,529.71 for the construction of the Bluffton Parkway Phase 5A from Burnt Church Road to Buckingham Plantation Road. The funding source is 1% Sales Tax Road Improvement Program, Account #33401-54500. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville and Ms. Von Harten. ABSENT – Mr. Stewart. The motion passed.

AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF BEAUFORT COUNTY, SOUTH CAROLINA, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$9,000,000

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 4, 2010 Finance Committee meeting.

It was moved by Mr. Rodman, seconded by Mr. Glaze, that Council approve on first reading an ordinance authorizing the issuance and sale of general obligation refunding bonds, series 2010C, or such other appropriate series designation, of Beaufort County, South Carolina, in the principal amount of not exceeding \$9,000,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville and Ms. Von Harten. ABSENT – Mr. Stewart. The motion passed.

RECONVENE OF EXECUTIVE SESSION

It was moved by Mr. McBride, seconded by Mr. Sommerville, that Council authorize the County Administrator to enter into an agreement for the purchase and renovation of a new community residence in the amount of \$350,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville and Ms. Von Harten. ABSENT – Mr. Stewart. The motion passed .

ADJOURNMENT

Council adjourned at 6:48 p.m.

COUNTY COUNCIL OF BEAUFORT COUNTY

By: _____
Wm. Weston J. Newton, Chairman

ATTEST: _____
Suzanne M. Rainey, Clerk to Council
Ratified: August 23, 2010

August 23, 2010

Official Proceedings
County Council of Beaufort County
August 23, 2010

The electronic and print media was 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. on Monday, August 23, 2010, in Council Chambers of the Administration Building, 100 Ribaut Road, Beaufort, South Carolina.

ATTENDANCE

Chairman Weston Newton, Vice Chairman D. Paul Sommerville and Councilmen Steven Baer, Rick Caporale, Gerald Dawson, Brian Flewelling, Herbert Glaze, William McBride, Stu Rodman Gerald Stewart, and Laura Von Harten were present.

PLEDGE OF ALLEGIANCE

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

INVOCATION

Councilman Stu Rodman gave the Invocation.

REVIEW OF PROCEEDINGS OF THE REGULAR MEETING HELD AUGUST 9, 2010

It was moved by Mr. Flewelling, seconded by Mr. Glaze, that Council approve the minutes of the regular meeting held August 9, 2010 . The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville and Ms. Von Harten. ABSTAINED – Mr. Stewart. The motion passed .

PUBLIC COMMENT

The Chairman recognized Mr. Rick Butler, a Lady's 'Island' resident and Best for Beaufort member, remarked *SundayBeaufort Gazette* said just tough if a minority perhaps won't even be able to use their property when the F-35B comes. This is several thousand of your constituents. Just toss us under the bus. He disagrees. We can do better at finding helpful compromises so we can all live with the F-35B whichever alternative is chosen wherever you live in the county. Several slides were displayed. The first slide shows the existing safety zones in yellow and orange. The only new proposal in the Environmental Impact Study (EIS) is shown in purple, the safety zone for the LHD/LHA crash pad/zone. But something else is missing here. In Chapter 4-40, page 202, of the EIS, "Under any action alternatives, additional, new Clear Zones and Accident Potential Zones (APZ) would be established for the Vertical Landing (VL) pads and LHD/LHA Training Facility." But there is not a trace in the draft of where these student drives will need safety zones to get in or out of these five pads. Existing neighborhoods that are affected by these nearest pads, in red, are all within 2.5 miles of the two outmost pads, including the County Administration Building. What can local government do to best help balance the scales and limit property loss, quality of life issues, whichever alternative is selected by the Marine Corps? Only your interest can make these small essential changes, which will make living with this more tolerable for us all. Keep tracking the vital LHD/LHA location issue. Moving this aircraft carrier simulated deck toward the center of the base is essential as this will be the key noise source the F-35B will bring to Beaufort. Most of the hovering is going to take place over this deck. Here is where the pilots will balance on their thunder's exhaust. These are key noise sources. Even a half mile further from living under these learner-permit pilots would really help your neighbors. There are some other things you could do to help us at no risk to any of the alternatives being proposed. The draft EIS never discusses these five little pads. They are a real center piece to the change to base operations. Convey your concerns to make MCAS Beaufort the best neighbor it can be.

Mr. Jim Rowe, a Pleasant Point Plantation resident and Best for Beaufort (B For B) member, asked, "What is Best of Beaufort"? It is a collation of neighbors from the Beaufort area dedicated to the acquisition, examination and provision of factual data related to the proposed basing of the F-35B at the Beaufort Air Station. B For B also serves as a forum for the discussion and formal expression of concerns and positions related to the F-35B's impact on the maintenance and enhancement of our most fundamentally and commonly-shared value, our quality of life. You have already heard from one of our members. You are going to hear today from two others who will be addressing specific components of our mutual quality of life issues that will indeed be directly affected by the operation of the F-35B at the Beaufort Air Station should this plane ever come to town. In closing, the members of B For B have an abiding respect for the long and proud relationship the Marine Corps has had with the American people. B For B is impelled to action largely by their respect and reverence for greater Beaufort's natural and historic environment. It is our commitment that we will involve ourselves with those public officials who have an open ear and open heart and an open mind to make this the very special place we call home.

Ms. Teresa Bruce, a Beaufort City resident, stated as a former reporter she is very concerned about the incomplete noise impact information that has been presented to the public so far concerning the basing of the F-35Bs in Beaufort. She is not retired. She represents the generation who, thanks to the internet, can work anywhere we live as long as we can hear ourselves think and as long as if we have kids they can go to school on a good night's sleep. She has studied her copy of the draft Environmental Impact Statement (EIS) and two-thirds of it deal with the noise impact of any of these basing options. That says to her the Navy acknowledges the noise impact is the chief environmental impact that we will be facing here in Beaufort in its basing decision. Yes, this noise impact analysis is based on the wrong plane, the wrong neighborhoods and the wrong flight operations. Wrong plane because the actual variant Beaufort is scheduled to get, the F-35B, is so far over budget and behind schedule the Navy, itself, tells us safety and noise results will not be available until 2013. That is after the training facilities will already be built here and too late to change course. We are told to just presume the noise will be about as loud as any of the other variants. Presume that a heavier engine that can literally invert itself underneath like a rocket to do vertical landings will have the same loudness as planes that cannot do that. She finds that an illogical hypothetical. We deserve better numbers. We are also told the noise impacts were modeled on 13 representative communities. Guess what; that is wrong too. The 13 representative communities in this book do not include Pigeon Point, Pleasant Point, Red Bluff, in fact, the entire northern half of Lady's Island is left out of those representative communities. The closest one they studied was around Publix's on Lady's Island. That seems to be a little ingenuous to be studying communities that aren't really impacted by the noise and saying that those communities are representative. We do know the vertical landings and short takeoffs will be the loudest new flight operations Beaufort has ever seen. Where that new training happens is critically important. They are going to build an entire new runway that simulates the short takeoff capabilities on an aircraft carrier and they call that an amphibious assault deck and six vertical landing pads where those plans will do their vertical landings. They are also going to fill in two acres of marsh to do that. Guess

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 10, 2010 Natural Resources Committee meeting.

It was moved by Mr. Stewart, seconded by Mr. McBride, that Council approve the recommended operational alternative and recommendations for the first two Minimum Control Measures of Education and Public Involvement. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

AN ORDINANCE TO AMEND CHAPTER 18 OF ARTICLE III (BUSINESS AND PROFESSIONAL LICENSE)

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 4, 2010 Finance Committee meeting.

It was moved by Mr. Stewart, seconded by Mr. McBride, that Council approve on third and final reading an ordinance to amend Chapter 18 of Article III (Business and Professional License). The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF BEAUFORT COUNTY, SOUTH CAROLINA, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$9,000,000

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 4, 2010 Finance Committee meeting.

It was moved by Mr. Stewart, seconded by Mr. McBride, that Council approve on second reading an ordinance authorizing the issuance and sale of general obligation refunding bonds, series 2010C, or such other appropriate series designation, of Beaufort County, South Carolina, in the principal amount of not exceeding \$9,000,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

The Chairman announced a public hearing would be held Monday, September 13, 2010 beginning at 6:00 p.m. in the large meeting room of the Hilton Head Island Branch Library.

RESOLUTION ADOPTING THE COUNTY AND FIRE DISTRICT FISCAL YEAR 2010/2011 MILLAGE RATES

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 23, 2010 Finance Committee meeting.

It was moved by Mr. Stewart, seconded by Mr. McBride, that Council adopt a resolution approving the County and Fire District fiscal year 2010/2011 millage rates as follows: County operations 40.21 mills, Purchase of Real Property Program 2.76 mills and County debt service 4.57 mills; Bluffton Fire District operations 19.67 mills and debt service 0.38 mills; Burton Fire District operations 55.87 mills and debt service 5.53 mills; Daufuskie Island Fire District operations 30.72 mills and debt service 0.00 mills; Lady's Island/St. Helena Island Fire District operations 31.00 mills and debt service 1.50 mills; and Sheldon Fire District operations 32.22 mills and debt service 2.18 mills. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

ZONING MAP AMENDMENT/ REZONING REQUEST ON LADY'S ISLAND R201-15-118, -508, -509, AND -510 (4 PROPERTIES) FROM LADY'S ISLAND COMMUNITY PRESERVATION (LICP) AND PROFESSIONAL OFFICE DISTRICT (POD) TO VILLAGE CENTER (VC)

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 10, 2010 Natural Resources Committee meeting.

It was moved by Mr. Stewart, seconded by Mr. McBride, that Council approve on first reading a requested rezoning to Lady's Island R201-15-118, -508, -509 and -510 (four properties) from Lady's Island Community Preservation (LICP) and Professional Office District (POD) to Village Center (VC). The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

TEXT AMENDMENT TO THE ZONING AND DEVELOPMENT STANDARDS ORDINANCE (ZDSO), ARTICLE V: TABLE 106-1098, GENERAL USE TABLE, COMMERCIAL USES – COMMERCIAL RETAIL, NEIGHBORHOOD (ADDS ALLOWABLE USE OF VARIETY STORES); AND SECTION 106-1285(D)(1) COMMERCIAL RETAIL, NEIGHBORHOOD (ADDS 10,000-SQUARE FOOT LIMITATION FOR VARIETY STORES IN RURAL BUSINESS DISTRICTS)

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 10, 2010 Natural Resources Committee meeting.

It was moved by Mr. Stewart, seconded by Mr. McBride, that Council approve on first reading a text amendment to the Zoning and Development Standards Ordinance (ZDSO), Article V: Table 106-1098 General Use Table, Commercial Uses – Commercial Retail, Neighborhood (adds allowable use of variety stores); and Section 106-1285(D)(1) Commercial Retail, Neighborhood (adds 10,000-square foot limitation for variety stores in Rural Business Districts). The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

TEXT AMENDMENT TO THE BEAUFORT COUNTY ZONING AND DEVELOPMENT STANDARDS ORDINANCE (ZDSO), ARTICLE I, SECTION 106-9(B)(1)--NONCONFORMITIES (ADDS SUBSECTION THAT ALLOWS NONCONFORMING HISTORIC BUILDINGS TO BE ADAPTIVELY REUSED AND BECOME CONFORMING THROUGH APPROVAL OF A SPECIAL USE PERMIT)

This item comes before Council under the Consent Agenda. It was discussed and approved at the August 10, 2010 Natural Resources Committee meeting.

It was moved by Mr. Stewart, seconded by Mr. McBride, that Council approve on first reading a text amendment to the Beaufort County Zoning and Development Standards Ordinance (ZDSO), Article I, Section 106-9(B)(1) — Nonconformities (adds subsection that allows nonconforming historic buildings to be adaptively reused and become conforming through approval of a special use permit). The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

Mr. McBride, as Community Services Committee Chairman, nominated Mrs. Judy Lohr to serve as a member of the Alcohol and Drug Abuse Board.

Mr. McBride nominated Dr. Joseph Brown to serve as a member of the Alcohol and Drug Abuse Board.

Mr. McBride, as Community Services Committee Chairman, nominated Mrs. Algrede Ford to serve as a member of the Disabilities and Special Needs Board.

Finance Committee

Natural Resources Committee

Stormwater Retrofit Contract, Phase 2

Mr. Sommerville, as Natural Resources Committee Chairman, reported members received information on the second phase of the Stormwater Retrofit Contract. Staff appeared before the Committee at its December meeting to give information about an engineering firm assisting with regional and non-regional retrofit projects. Subsequent to that approval, it decided to just do the first phase — the regional system. Now, after a long negotiation process, staff has come up with a scope for the second phase — the non-regional system. The initial estimate was between \$56,230 and \$68,200, while the final contract will be \$39,100. The overall retrofit contract is a cooperative agreement among the County and the municipalities (paying 50% of these contracts). This is the final phase of this to complete the retrofit funding for the studies. Committee approved the Ward Edwards proposal called "Non-regional BMP Conceptual Engineering Design" in the amount of \$39,100.

Construction Adjustments and Appeals Board

Mr. Sommerville, as Natural Resources Committee Chairman, nominated Mr. Albert Thomas, representing design profession/contractor/building industry, to serve as a member of the Construction Adjustments and Appeals Board.

Public Safety Committee

Bluffton Fire District

Mr. David Meeder

The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. Mr. David Meeder garnered the six votes required to serve as a member of the Bluffton Fire District .

Lowcountry Regional Transportation Authority

There are two candidates for one vacancy.

Mr. Mark McCain

The vote was: FOR – Mr. Baer, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. Mr. Mark McCain garnered the six votes required to serve as a member of the Lowcountry Regional Transportation Authority .

Mr. Al Wattay

The vote was: FOR – Mr. Rodman. Mr. Al Wattay failed to garner the six votes required to serve as a member of the Lowcountry Regional Transportation Authority .

Mr. Caporale and Mr. Newton did not vote.

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

CITIZENS AGAINST VIOLENCE EVERYWHERE (CAVE)

Mr. Glaze announced an upcoming event that will benefit our youth and adults. The second Youth Speak Out in Beaufort County, sponsored by CAVE and Boys and Girls Club of the Lowcountry, will be held Saturday, August 28 at the Boys and Girls Club of Hilton Head Island. This event will run from 4:00 p.m. to 7:00 p.m.

PUBLIC COMMENT

There were no requests to speak during public comment.

ADJOURNMENT

Council adjourned at 6:52 p.m.

COUNTY COUNCIL OF BEAUFORT COUNTY

By: _____
Wm. Weston J. Newton, Chairman

ATTEST:

Suzanne M. Rainey, Clerk to Council

Ratified: September 27, 2010

September 13, 2010

Official Proceedings
County Council of Beaufort County
September 13, 2010

The electronic and print media was 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. on Monday, September 13, 2010, 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 D. Paul Sommerville and Councilmen Steven Baer, Rick Caporale, Gerald Dawson, Brian Flewelling, Herbert Glaze, William McBride, Stu Rodman, Gerald Stewart and Laura Von Harten.

PLEDGE OF ALLEGIANCE

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

MOMENT OF SILENCE

Chairman Newton called for a moment of silence in recognition of the anniversary of September 11, 2001 Terrorists Attack on America.

INVOCATION

Councilman Herbert Glaze gave the Invocation.

REVIEW OF PROCEEDINGS OF THE REGULAR MEETING HELD JUNE 14, 2010

It was moved by Mr. McBride, seconded by Mr. Glaze, that Council approve the minutes of the regular meeting held June 14, 2010 . The vote was: FOR –Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville and Mr. Stewart. ABSENT – Ms. Von Harten. ABSTAINED – Mr. Baer. The motion passed .

PROCLAMATIONS

Active Adult Challenge Weeks

The Chairman proclaimed October 25 through November 5, 2010 as Active Adult Challenge Weeks. Ms. Cheri Bronsky, Fitness Director at Sun City accepted the proclamation.

Council to tell them no because we are worried about some precedence elsewhere in the county, seems to turn down the very thing that we promote – protection of our environmental resources that we have been given. This area is along the May River. These folks want to protect it to the point they are willing, so to speak, to put their money where their mouth is. The Town of Bluffton endorsement and commitment to this project is, as well, predicated on their being voting members of the aesthetic review board as it relates to projects within the CP. While Mr. Newton's understands members of our Planning Commission, who are opposed to this saying that this is bad precedence and how would you stop it, we have asked the folks to come forward with a set of standards that they want. They have come forward with even something much more restrictive than current zoning standards. All they want is to have a say about what happens. One of the concerns in the greater Bluffton area that has been expressed is that the blue roof on Best Buy is nothing that they would never have allowed. If the blue roof on Best Buy is the type of thing that is going to be approved in their CP District, then, perhaps, they are better served annexing into the Town of Bluffton where they know they will have a voice. This motion to amend is nothing Mr. Newton can even begin to support. He suspects Mr. Stewart is probably in a like position; but Mr. Stewart will speak for himself. This is something that has been recommended by staff and recommended to these folks throughout the entire process.

Mr. Flewelling said he did not hear anything about how we would stop this precedent in the future for any other CP District. Every other CP District will advocate the same thing that they are giving up certain rights of developing in acquiescence to our desire to have CP Districts to move in and help guide this. He does not know why May River is treated any differently than any other CP District. Why do they get more rights to determine their fate than any other CP District? Mr. Flewelling is not saying this is necessarily a bad thing. All he is saying is once we do this we will not be able to deny it on logical grounds to any other CP District.

Mr. Newton replied the short answer is, "they asked." If you are willing to impose that strict of a burden on yourself and you ask for it, why we would not want people in the community, who are offering up their own type of zoning standards, to be involved in the process. It is a wonderful precedence and would encourage it.

Mr. Flewelling asked, "Don't all CP Districts give up that same type of development potential"? They are all doing that same thing.

Mr. Newton replied this is joint corridor review that transcends the jurisdictional boundaries of the county and town. He does not know if we have another set of circumstances anywhere in the county where a joint corridor review board is made up of members of the two town councils as well as the county which overlays this area.

Mr. Stewart agrees with what Mr. Newton is saying. Mr. Stewart's concern now is where this joint corridor review board stands at present. If we truly have that joint relationship, he does not see any problem. The fact of the concessions that this group has made and as long as other CP Districts want to come forward and give similar types of concessions above and beyond the current zoning standards, Council would certainly consider it and probably give them that kind of concession.

Mr. Criscitiello commented staff originally recommended we do this. It was the Planning Commission that chose to raise the issue that Mr. Flewelling is offering. It was not an easy decision on the part of the Planning Department to endorse this idea. We thought about that very thing from the very beginning when we were working with the Committee about the precedential value that this could create down the road. In reflection on this issue, whether or not it is a problem or not a problem to be concerned about in the future, many CP Districts are inactive or are defunct, consequently the opportunity is probably more apparent than real. The other aspect of it, in the future perhaps Lady's Island CP District and St. Helena Island CP District may request stricter standards. Is that a bad thing; probably not. The whole thing going forward with form-based code, it is going to really require our Corridor Review Boards to have a very large role in terms of design and appearance. If we are looking at specific areas of the county (anticipating things that have not yet come to Council), then the opportunity for design review, in terms of how things look or how the form is incorporated in terms of development, it may not be a bad thing.

Mr. Flewelling stated he is not necessarily opposed to CP Districts having this say on corridor review boards or any other board or commission. He just thought the matter had not been discussed in the public arena loud enough or with enough force.

Vote on the motion to amend by substitution.

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

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

Vote on the main motion.

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

The Chairman announced a public hearing would occur on Monday, September 27, 2010, beginning at 6:00 p.m. in Council Chambers of the Administration Building, Beaufort.

PUBLIC HEARINGS

AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C, OR SUCH OTHER APPROPRIATE SERIES DESIGNATION, OF BEAUFORT COUNTY, SOUTH CAROLINA, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$9,000,000

The Chairman opened a public hearing at 6:13 p.m. for the purpose of receiving information from the public regarding an ordinance authorizing the issuance and sale of General Obligation Funding Bonds, Series 2010C, or such other appropriate series designation, of Beaufort County, South Carolina, in the principal amount of not exceeding \$9,000,000. After calling three times for public comment and receiving none, the Chairman declared the hearing closed at 6:14 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 the issuance and sale of General Obligation Funding Bonds, Series 2010C, or such other appropriate series designation, of Beaufort County, South Carolina, in the principal amount of not exceeding \$9,000,000. The vote was: FOR – Mr. Baer, Mr. Caporale, Mr. Dawson, Mr. Flewelling, Mr. Glaze, Mr. McBride, Mr. Newton, Mr. Rodman, Mr. Sommerville, Mr. Stewart and Ms. Von Harten. The motion passed.

AN ORDINANCE AUTHORIZING A LOAN OF HOSPITALITY TAX FUNDS TO HERITAGE CLASSIC FOUNDATION FOR THE PROCUREMENT OF THE 2011 PGA HERITAGE GOLF TOURNAMENT TO BE HELD ON HILTON HEAD ISLAND, SOUTH CAROLINA

The Chairman opened a public hearing at 6:15 p.m. for the purpose of receiving information from the public regarding an ordinance authorizing a loan of hospitality tax funds to Heritage Classic Foundation for the procurement of the 2011 PGA Heritage Golf Tournament to be held on Hilton Head Island, South Carolina. After calling three times for public comment and receiving none, the Chairman declared the hearing closed at 6:16 p.m.

Mr. Baer remarked he has been studying the Heritage issue in detail with three goals: (1) Find a way to keep the Heritage functional here for more than just this year. (2) Preserve taxpayer funds and make sure they are used wisely. (3) Understand the Heritage's finances in order to accomplish those goals. He has felt, and continues to strongly feel that this is like GM. We need to save it, but if they want government money, they must also accept some government oversight. His first analysis is published in the minutes of the County Council Finance Committee of August 9, 2010. Since then Mr. Rodman and he has had a very productive meeting with the Heritage's CFO and obtained additional data.

Mr. Baer has a few additional observations and comments: (i) Ticket Prices- Many of the total numbers (less than 10,000 of 27,435) in the Clemson study are not really badges sold to the General public. It is good that the HCF is looking to increase ticket revenues and other options such as day passes to increase revenues. (ii) Clemson Study - This is a very fine study. There are some anecdotal cautions about their sampling method, but even if the spending numbers are discounted, the Heritage is a still a big revenue producer. One interesting point is their very cautious methodology using low indirect and multiplier assumptions. People, who quote economic studies to us, such as airport economics, which use much higher ratios, should very carefully read the discussion of this in the Clemson Study. (iii) Other Revenue Potential - One thing is clear from the Clemson Study. A lot of money (\$2,386 / Badge) is being spent here on lodging, food, entertainment and retail. (From his previous comments it is not clear the accommodations tax is capturing all of the lodging part that it should.) But a more basic comment needs to be: The hotels (who he understands raise their rates during the tournament), restaurants and amenities that make this money need to provide their share of support, as the

resolution. Once this review has been made, this matter will come back to committee as far as what the results of that recommendation or action item is.

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

PUBLIC COMMENT

There were no requests to speak during public comment.

ADJOURNMENT

Council adjourned at 7:02 p.m.

COUNTY COUNCIL OF BEAUFORT COUNTY

By: _____
Wm. Weston J. Newton, Chairman

ATTEST: _____

Suzanne M. Rainey, Clerk to Council

Ratified: October 11, 2010

NOTICE OF
SALE

\$7,745,000 Beaufort
County, South Carolina
General Obligation
Refunding Bonds, Series
2010C

Proposals will be
received by the County
Administrator or his
designee of Beaufort
County, South Carolina
the "County" pursuant
to the Official Notice of
Sale.

Sale Date: November 4,
2010, or such other
date as may be estab-
lished by the County
not less than seven
days from the publica-
tion of this notice and
communicated by elec-
tronic dissemination
not less than 48 hours
prior to the time the
proposals are to be
received.

Time: 11:00 a.m., South
Carolina time
Bonds Dated: Date of
Delivery, on or about
November 18, 2010
Interest Payments Semi-
annually on February 1
and August 1 com-
mencing February 1,
2011

Maturities: February 1,
2014 through February
1, 2022

Redemption Provisions:
The Bonds will be sub-
ject to redemption as
stated therein.

Book-Entry-Only: The
Bonds will be book-
entry-only.

Legal Opinion: McNair
Law Firm, P.A., Colum-
bia, South Carolina

The Bonds will be
issued in book-entry-only
form in the denomination
of \$5,000 or any integral
multiple thereof. A copy
of the Preliminary Official
Statement is deemed
to be in form and the Official
Notice of Sale are avail-
able via the internet at
<http://www.rsamuni.com>.

For additional informa-
tion, please contact the
County's Bond Counsel,
Jennifer B. Heizer,
Jullie, McNair Law
Firm, P.A., telephone
(803) 799-9800; e-mail:
jheizer@mcnair.net or
the County's financial
advisor, Brian G. Nurick,
Jullie, Sinclair & Associ-
ates, LLC, telephone
(803) 255-0795; e-mail:
bgnurick@rsamuni.com.

*Preliminary, subject to
change.

13501

THE STATE MEDIA 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 - \$7,745,000 Beaufort County, SC

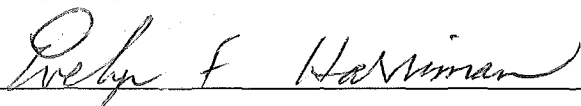
was inserted in THE STATE, a daily newspaper of general circulation published in
the City of Columbia, State and County aforesaid, in the issue(s) of

October 27, 2010



Subscribed and sworn to before me

on this day October 29, 2010



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."*



RATINGS:
Moody's Investors Service: Aa1
Standard & Poor's: AA+
(See "RATINGS" herein)

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds (i) will be excludable from gross income for federal income tax purposes, (ii) will not be an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporation; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporation; and (iii) will be exempt from all State of South Carolina, county, municipal, and all other taxes and assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except estate or other transfer taxes, provided that the interest thereon may be includable for certain franchise fees or taxes. For a more complete discussion of federal tax consequences to recipients of interest on the Bonds, see "TAX EXEMPTION AND OTHER TAX MATTERS" herein.

\$7,745,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C BEAUFORT COUNTY, SOUTH CAROLINA

The \$7,745,000* General Obligation Refunding Bonds (the "Bonds") 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 BONDS - Security" herein.

The Bonds are issuable in fully registered form and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Bonds will be made. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the principal amounts of \$5,000 or any whole multiple thereof. So long as Cede & Co. as nominee of DTC is the registered owner of the Bonds, references herein to the holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds are payable to Cede & Co. as nominee for DTC, which will in turn remit such principal and interest to the Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System." _____ will serve as Registrar/Paying Agent for the Bonds.

The Bonds will be dated their date of delivery, and will mature serially on February 1 in each of the years and in the principal amounts and bear interest at the rates shown on the inside front cover page. Interest on the Bonds is first payable on February 1, 2011, and semiannually thereafter on each February 1 and August 1. The Bonds will not be subject to redemption prior to their stated maturities.

Bids will be received until 11:00 a.m., South Carolina time, Thursday, November 4, 2010, in the office of the County Administrator located at 100 Ribaut Road, Room 156, Beaufort, South Carolina. The Bonds 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 Bonds in definitive form will be available for delivery on or about November 18, 2010.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. The County deems the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") except for information which may be omitted pursuant to Rule 15c2-12.

Dated: _____, 2010.

*Preliminary, subject to change.

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.

MATURITY SCHEDULE

(February 1) <u>Year</u>	Principal <u>Amount</u>*	Interest <u>Rate</u>	<u>Yield</u>	CUSIP <u>No.</u>
2014	\$ 720,000			
2015	740,000			
2016	775,000			
2017	810,000			
2018	850,000			
2019	890,000			
2020	935,000			
2021	985,000			
2022	1,040,000			

*Preliminary, subject to adjustment.

**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, 2009

APPENDIX B - Form of Legal Opinion

APPENDIX C - Form of Continuing Disclosure Undertaking

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 the \$7,745,000* General Obligation Refunding Bonds, Series 2010C (the "Bonds") 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 Bonds, 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 BONDS

Description

The Bonds will be general obligation bonds of the County; will be issuable initially in fully registered book-entry-only form in denominations of \$5,000 each or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; will be numbered from R-1 upward; and when issued will be registered to Cede & Co., as nominee for DTC. The Bonds will be dated their date of delivery (which is expected to be November 18, 2010); will bear interest from their date at the rates shown on the inside front cover hereof payable initially on February 1, 2011, and semiannually thereafter on February 1 and August 1 of each year until they mature; and will mature on February 1 in each of the years and in the principal amount shown on the inside front cover hereof.

Redemption Provisions

The Bonds will not be subject to redemption prior to their stated maturities.

Book-Entry-Only System

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial owners of the Bonds ("Beneficial Owners") will not receive physical Bonds certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the Holders of the Bonds 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 Bonds 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 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE BONDS TO DTC PARTICIPANTS (AS DEFINED HEREIN) OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS 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, New York, New York ("DTC"), or its successor, will act as securities depository for the Bonds. The Bonds will be issued initially as fully-registered Bonds 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 Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

*Preliminary; subject to adjustment.

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 securities certificates. 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 ("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 and www.dtc.org.

Beneficial Owners. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each 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 beneficial ownership interests in the Bonds 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 Bonds, unless the use of the book-entry only system for the Bonds is discontinued.

Transfers and Exchanges. To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Ordinances. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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, if any, will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Consents and Voting. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds 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 and voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest Payments. Principal, redemption premiums, if any, and interest payments on the Bonds 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 (nor its nominee), 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 Beneficial Owners shall be the responsibility of 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 services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE HOLDER OF THE BONDS, THE COUNTY SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES, INCLUDING RECEIPT OF ALL PRINCIPAL AND PREMIUM OF AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE COUNTY. THE COUNTY, THE REGISTRAR AND THE PAYING AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE

RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

Discontinuance of Book-Entry-Only System. In the event that the Bonds are no longer in book-entry-only form, the certificates held by DTC or a successor securities depository will be cancelled and the County will execute and deliver the Bonds in fully registered form to the Beneficial Owners of the Bonds as shown on the records of the DTC Participants or the nominee of a successor securities depository. If no other securities depository is named, interest on the Bonds shall be payable to the Registered Owners on each interest payment date and principal of the Bonds at maturity upon presentation and surrender thereof to the Paying Agent at its corporate trust office. The Bonds would be transferable on the registration books of the County maintained by the Registrar by the registered owner in person or by his duly authorized attorney upon surrender of the Bond to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amounts as the Bond so presented. The County and the Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

Purposes

The Bonds are being issued to provide funds (i) to refund certain maturities of the County's original principal amount \$25,100,000 General Obligation Bonds, Series 2002, dated March 1, 2002 (the "Bonds to be Refunded"); (ii) to pay costs and expenses of the issuance of the Bonds, and (iii) such other lawful purposes as the County Council shall determine.

Security

For the payment of the principal and interest on the Bonds 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 Bonds 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 years for which information is available and the County's projection for 2010:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2005	\$5,546,441
2006	5,697,599
2007	6,267,441
2008	6,970,132
2009	6,647,008
2010*	5,549,391
2011**	5,800,000

*Unaudited

**Projected

Authorization

The Bonds will be issued pursuant to and in accordance with the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), and the statutes of the State, including Title 11, Chapters 15 and 21 of the Code of Laws of South Carolina, 1976, as amended; an ordinance enacted September 13, 2010 (the "Ordinance") authorizing the issuance and sale of general obligation refunding bonds of the County to refund the Bonds to be Refunded (hereinafter defined).

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 Bonds was enacted on September 13, 2010, and publication of its enactment was published in *The Island Packet* and *The Beaufort Gazette*, newspapers of general circulation in the County, on September 16, 2010. No notice of intention to seek a referendum within the 20-day period was filed.

Defeasance

If all the Bonds shall have been paid and discharged, then the obligations of the County under the Ordinance and all other rights granted thereby, shall cease and determine. Bonds shall be deemed to have been paid and discharged under any of the following circumstances:

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

(ii) If default in the payment of the principal of Bonds or the interest thereon shall have occurred, and thereafter tender of payment shall have been made, and a bank or other financial institution shall hold, in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of payment; or

(iii) Payment of the principal of and interest on Bonds either (1) shall have been made or caused to be made in accordance with the terms thereof; or (2) shall have been provided for by irrevocably depositing with a bank or other financial institution in trust and irrevocably set aside exclusively for such payment, (a) moneys sufficient to make such payment, or (b) 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 such bank or other financial institution. At such time as such Bonds shall no longer be deemed to be outstanding under the Ordinance, such Bonds shall cease to draw interest from the due date thereof and, except for 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 its authorizing ordinance.

“Government Obligations” means any of the following:

(a) 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 Elliott Davis, 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, 2010, the County employed 1,193 full-time equivalent employees, consisting of:

<u>Department</u>	<u>Full Time</u>
General Government	281
Public Safety	490
Public Works	130
Public Health	24
Public Welfare	121
Culture and Recreation	93
Enterprise Funds	<u>54</u>
Total	1,193

Services Provided

The County provides various local services which are funded primarily from the County's *ad valorem* tax levy. 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 and Retirement

Substantially all full-time, permanent employees of the County 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). Contribution rates are actuarially established. Employees covered by SCRS or PORS contribute 6.5% of their gross salary. The County contributes 9.39% of the total gross salaries of employees covered by SCRS and 11.05% of the total gross salaries of employees covered by PORS. The County's contributions to 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 contributions to 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.

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 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 high schools, four special schools, 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 2009)	\$1,954,918,784
	x 8%
Constitutional Debt Limit	\$ 156,393,503
Outstanding Debt Subject to Limit	\$ 83,480,000
Legal Debt Limit Without a Referendum	\$ 72,913,503

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>
2006	\$100,645,000
2007	141,670,000
2008	177,515,000
2009	159,305,000
2010	201,355,000

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 <u>Issue</u>	Interest <u>Rates</u>	Maturity <u>Dates</u>	Amount <u>Outstanding</u>
04/15/2001	4.500%	02/01/2011	\$ 1,530,000
03/01/2002	4.000%-4.875%	02/01/2011-22	11,505,000
06/15/2003 ¹	2.875%-5.000%	02/01/2011-23	19,900,000
10/15/2004 ²	3.000%-5.000%	02/01/2011-25	29,150,000
11/02/2006	3.625%-8.000%	03/01/2011-26	15,600,000
11/30/2006 ³	4.000%-5.000%	03/01/2011-26	28,200,000
10/03/2007 ³	4.000%-5.000%	03/01/2011-27	24,675,000
11/07/2007 ⁴	4.000%-5.000%	02/01/2011-20	17,215,000
03/10/2009	2.500%-3.000%	03/01/2011-12	4,825,000
03/10/2010 ⁵	2.000%-5.000%	03/01/2011-20	24,205,000
03/10/2010 ⁶	4.700%-5.625%	03/01/2021-29	<u>24,550,000</u>
Total			\$201,355,000

¹ \$4,900,000 is included in 8% debt limit

² \$9,150,000 is included in 8% debt limit

³ Debt approved by referendum

⁴ \$7,215,000 is included in 8% debt limit

⁵ \$11,155,000 is included in 8% debt limit

⁶ \$17,600,000 is included in 8% debt limit

Other Financial Obligations

The County leases certain office space and machinery and equipment under cancellable 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, 2010, were approximately \$751,000.

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 Bonds with interest on the Bonds computed at a projected true interest cost of 2.427%.

<u>Fiscal Year Ending June 30</u>	<u>Principal and Interest on Outstanding Bonds</u>	<u>Projected Principal and Interest on Proposed Bonds</u>	<u>Total Debt Service</u>
2010	\$13,377,645	\$ 68,899	\$13,446,543
2011	17,313,759	339,775	17,653,534
2012	17,679,910	339,775	18,019,685
2013	16,058,679	1,059,775	17,118,454
2014	16,557,586	1,058,175	17,615,761
2015	17,070,991	1,063,575	18,134,566
2016	17,576,154	1,067,575	18,643,729
2017	17,863,760	1,071,125	18,934,885
2018	17,860,954	1,072,875	18,933,829
2019	17,860,992	1,075,600	18,936,592
2020	17,856,754	1,081,188	18,937,941
2021	17,554,191	1,089,400	18,643,591
2022	18,496,378	---	18,496,378
2023	18,096,050	---	18,096,050
2024	17,521,375	---	17,521,375
2025	15,352,063	---	15,352,063
2026	7,441,193	---	7,441,193
2027	3,261,536	---	3,261,536
2028	2,487,921	---	2,487,921
2029	<u>2,519,156</u>	<u>---</u>	<u>2,519,156</u>
Total:	\$289,807,047	\$10,387,736	\$300,194,783

General Obligation Debt on a Per-Capita Basis

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

<u>Year Ended June 30</u>	<u>General Obligation Indebtedness</u>	<u>County Debt Per Capita¹</u>	<u>County Debt as % of Assessed Value</u>
2006	\$100,645,000	\$ 713	6.60%
2007	141,670,000	979	8.88
2008	177,515,000	1,057	9.38
2009	159,305,000	1,030	8.63
2010	201,355,000	1,238	9.83

¹ Based on U.S. Census Bureau estimates of population.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009 for years 2006-2009; county officials for 2010.

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.

Legal Debt Limit of Counties, 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.

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Overlapping Debt

The following table sets forth the total amount of general obligation indebtedness in each political subdivision and special purpose district which overlaps the County, either in whole or in part which was outstanding as of August 2, 2010.

	<u>Assessed Value</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to County</u>
<u>Political Subdivision</u>			
Beaufort County School District	\$1,954,918,784	\$339,200,000	100%
<u>Municipalities</u>			
City of Beaufort	79,796,016	14,450,000	100
Town of Bluffton	135,147,878	6,520,000	100
Town of Hilton Head	993,359,523	67,120,000	100
Town of Port Royal	27,549,206	636,972	100
<u>Special Purpose Districts</u>			
Broad Creek PSD	162,121,043	6,370,000	100
Fripp Island PSD	54,360,960	none	100
Hilton Head #1 PSD	255,120,910	8,476,338	100
<u>Fire Districts</u>			
Bluffton Fire District	472,487,344	280,000 ⁽¹⁾	100
Burton Fire District	73,919,524	none	100
Lady's Island/St. Helena Island Fire District	143,234,464	12,243	100
Sheldon Fire District	32,280,433	none	100

⁽¹⁾ Issued by Beaufort County for Bluffton Fire District, but not includable against 8% limit.
Source: County officials; South Carolina Municipal Council.

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 notes) 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;(1)
- (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 -- 6.75%, decreasing to 6.0% in 2007; and
- (9) All other personal property -- 10.5% of fair market value.

(1) 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 completed a reassessment in Fiscal Year 2008 which was implemented in Fiscal Year 2009. The next reassessment is scheduled for Fiscal Year 2013 to be implemented in Fiscal Year 2014. 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 preceding 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 \$1,121,351 in the 2009-10 Fiscal Year and projects that it will receive \$1,100,000 in the 2010-11 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 \$50,000,000, 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.

<u>Tax Year</u>	<u>Real</u>		<u>Personal</u>		<u>Total</u>	
	<u>Assessed</u>	<u>Market</u>	<u>Assessed</u>	<u>Market</u>	<u>Assessed</u>	<u>Market</u>
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
2008	1,552,685,296	31,843,075,060	237,470,686	2,708,277,500	1,790,155,982	34,551,352,560
2009	1,720,365,297	45,978,771,345	234,553,487	2,691,291,572	1,954,918,784	48,670,062,917

[†] Implementation of reassessment. The adjustments resulting from appeals of the 2004 reassessed values are reflected in the 2005 and 2006 values.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009 except for tax years 2008 and 2009, Beaufort County Auditor

Estimated True Value of All Taxable Property in the County

The estimated true value of all taxable property in the County for Tax Year 2009 is \$48,670,062,917.

<u>Classification of Property</u>	<u>Tax Year 2009 Assessed Value</u>	<u>Tax Year 2009 Estimated True Value</u>
1. Real Property (non-manufacturing) and Mobile Homes	\$1,720,365,297	\$45,978,771,345
2. Motor Vehicles	86,712,837	1,247,277,812
3. Public Utilities	43,629,790	422,723,324
4. Manufacturing Property (Real and Personal)	6,978,330	70,061,043
5. Marine Equipment/Boats	8,710,210	90,155,895
6. Business Personal Property	49,424,640	477,912,371
7. Aircraft	1,895,210	21,650,376
8. Other Personal Property	37,202,470	361,510,751
TOTAL	\$1,954,918,784	\$48,670,062,917

Note: These figures do 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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operations	33.7	36.7	38.9	45.5	40.21
Debt Service	5.4	5.4	5.8	4.0	4.57
Solid Waste/Recycling	4.5	---	---	---	---
Real Property Program	<u>1.5</u>	<u>2.5</u>	<u>2.7</u>	<u>2.4</u>	<u>2.76</u>
Total	45.1	44.6	47.4	51.9	47.54

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009 for 2006-2009; County officials for 2010.

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 2, 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.

<u>Fiscal Year</u>	<u>Adjusted Tax Levy</u>	<u>Current Taxes Collected</u>	<u>Current Percentage Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Percentage Collected</u>
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	63,986,885	90.7	3,594,507	95.8
2008	76,299,793	73,731,373	96.6	1,567,241	98.7
2009	91,507,440	82,472,648	90.1	---	90.1

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009

Ten Largest Taxpayers

The ten largest taxpayers in the County, the assessed value of each, and the amount and the percentage of 2009 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 Ownership Resorts	\$20,437,160	\$ 3,731,408.90	4.1%
South Carolina Electric & Gas	16,266,710	3,351,877.06	3.7
Palmetto Electric Cooperative	9,899,950	1,861,415.60	2.0
Columbia Properties Hilton Head	4,540,040	881,867.08	1.0
SCG Hilton Head Property	4,620,000	870,359.52	1.0
Bluffton Telephone Company	3,444,860	630,603.39	0.7
Sea Pines Resort LLC	3,765,920	588,568.59	0.6
Greenwood Development Corp	2,957,720	576,957.66	0.6
Hargray Telephone Company	2,858,580	495,017.27	0.5
Hargray, Inc.	<u>1,648,370</u>	<u>366,020.57</u>	<u>0.4</u>
Total	\$70,439,310	\$13,354,095.64	14.6%

Source: County officials.

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 are as follows:

<u>Fiscal Year</u>	<u>Collections</u>
2006	\$1,179,920
2007	1,213,910
2008	1,320,934
2009	1,224,452
2010	1,238,427
2011*	1,100,000

*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.

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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, 2005 through June 30, 2009.

	2005	2006	2007	2008	2009
Revenues					
Property Taxes	\$ 47,419,184	\$ 49,557,808	\$ 55,872,654	\$ 60,474,820	\$ 74,049,850
Licenses and Permits	3,393,994	4,635,798	4,879,471	3,894,583	2,787,597
Intergovernmental	6,073,748	6,402,451	7,813,256	8,649,634	9,064,132
Charges for Services	12,179,930	13,256,653	11,643,392	10,568,767	10,181,054
Fines and Forfeitures	882,229	872,216	1,150,081	1,029,600	1,063,709
Interest	64,028	966,561	1,336,688	1,015,196	1,033,426
Miscellaneous	311,610	418,423	1,561,330	565,823	1,091,778
Total Revenues	\$ 70,324,723	\$ 76,109,910	\$ 84,256,872	\$ 86,198,423	\$ 99,271,546
Expenditures					
General Government	\$ 15,616,654	\$ 17,145,467	\$ 18,956,722	\$ 20,963,806	\$ 21,049,036
Public Safety	29,301,879	31,551,018	35,583,070	38,617,353	40,265,774
Public Works	7,897,503	8,159,421	15,434,287	15,946,656	15,392,335
Public Health	2,172,343	2,490,990	2,731,723	2,975,284	5,151,909
Public Welfare	717,165	729,436	867,699	931,321	932,425
Cultural and Recreation	6,702,500	7,302,362	7,938,119	8,658,731	13,354,314
Total Expenditures	\$ 62,408,044	\$ 67,378,694	\$ 81,511,620	\$ 88,093,151	\$ 96,145,793
Excess Revenues Over (Under) Expenditures	\$ 7,916,679	\$ 8,731,216	\$ 2,745,252	\$ (1,894,728)	\$ 3,125,753
Other Financing Sources (Uses)					
Transfers In	\$ 62,458	\$ 1,219,512	\$ 455,547	\$ 2,251,087	\$ 869,682
Transfers Out ¹	(1,334,387)	(1,378,585)	(1,848,341)	(2,241,888)	(2,812,282)
Total Other Financing Sources (Uses)	\$ (1,271,929)	\$ (159,073)	\$ (1,392,794)	\$ 9,199	\$ (1,942,600)
Net Change in Fund Balance Prior Period Adjustment	6,644,750	8,572,143	1,352,458	(1,885,529)	1,183,153
	---	---	(77,431)	---	---
Fund Balance Beginning of Year	\$ 5,150,600	\$ 11,795,350	\$ 20,367,493	\$ 21,642,520	\$ 19,756,991
Fund Balance End of Year	\$ 11,795,350	\$ 20,367,493	\$ 21,642,520	\$ 19,756,991	\$ 20,940,144

Source: Audited financial statements provided by the County.

¹ General operating funds that are transferred to special funds thereby restricting their uses.

Financial Statements

The financial statements of the County for years ended June 30, 2005, 2006, 2007, 2008, and 2009 have been audited by Elliott Davis, LLC. A portion of the audited financial statements of the County for the year ended June 30, 2009, is attached to this Preliminary Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2009, 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 2010-2011 Fiscal Year

The following is a summary of the General Fund Budget of the County for the fiscal year ending June 30, 2011.

	<u>FY 2011 Budget</u>
<u>Revenues</u>	
Property Taxes	\$ 79,985,015
Licenses and Permits	2,501,000
Intergovernmental	7,686,826
Charges for Services	10,637,150
Fines and Forfeitures	1,035,650
Interest	190,000
Miscellaneous	<u>2,156,395</u>
Total Revenues	104,192,036
<u>Expenditures</u>	
General Government	29,331,921
Public Safety	43,535,722
Public Works	16,106,893
Public Health	5,195,179
Public Welfare	938,259
Cultural and Recreation	<u>9,084,062</u>
Total Expenditures	\$ 104,192,036

ECONOMIC AND DEMOGRAPHIC INFORMATION

Location and History

The County is located in the southern coastal area of South Carolina known as the "Lowcountry." 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 has a land area of 587 square miles. The County is one of the fastest growing in South Carolina. The County seat is the City of Beaufort. 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, recreation, retirement and associated services, and the military. Beaufort County received more than \$1.0 billion in domestic travel expenditures in 2008, the latest year for which county-level figures are available from the South Carolina Department of Parks, Recreation, and Tourism. In 2008, expenditures by tourists generated 12,800 jobs, \$206.8 million in payroll, and \$34.1 million in local tax receipts within the County. Hilton Head Island, Fripp Island and Hunting Island are all located in the County. 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.

In January 2010, Plumm Design, a manufacturer specializing in customized metal designs such as countertops, facades, range-hoods and hand-painted, decorative tin panels, announced that it will locate its new operations in a 26,000-square-foot facility in Beaufort County's Industrial District. The \$3.2 million investment is expected to generate 50 new jobs over its first five years.

CareCore National, LLC constructed a new headquarters 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. In 2009, Beaufort City Council signed a resolution supporting the Department of Defense's proposal to locate up to 11 joint strike fighter jets at the Air Station beginning in 2013.

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.

Tourism

In 2008, tourists spent approximately \$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 2008, tourism was responsible for \$206.8 million in payroll, 12,800 jobs, and \$34.1 in local tax receipts 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. More than 10% of the total amount spent by tourists in all of South Carolina's 46 counties was spent in Beaufort County.

Capital Investment

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

<u>Year</u>	<u>New Investment</u>	<u>New Employment</u>
2006	\$14,000,000	370
2007	---	---
2008	5,115,000	125
2009	5,969,000	50

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

The totals in the previous table include the following companies and projects in which the South Carolina Department of Commerce played a major role.

<u>Year</u>	<u>Company</u>	<u>Industry</u>	<u>Project Type</u>	<u>Investment</u>	<u>Jobs</u>
2006	CareCore National, LLC	Service	Expansion	\$6,500,000	300
2006	Grayco	Manufacturing	New	7,500,000	70
2008	CareCore National, LLC	Service	Expansion	4,400,000	125
2009	<i>confidential</i>	Distribution	Expansion	2,769,000	0
2009	Plumm Design	Manufacturing	New	3,200,000	50

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>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Beaufort County School District	Education	3,400	20.3%
Beaufort Memorial Hospital	Healthcare	1,750	10.5
Beaufort County	Government	1,164	7.0
Marine Corps Recruit Depot (civilians only)	Military	882	5.3
Marine Corps Air Station (civilians only)	Military	700	4.2
Hilton Head Medical Center	Healthcare	600	3.6
Wal-Mart Stores	Retail	520	3.1
Hilton Head Marriott Golf and Beach Resort	Hotel/Tourism	520	3.1
The Westin Resort	Hotel/Tourism	450	2.7
Crowne Plaza Resort	Hotel/Tourism	430	2.6

Source: Beaufort County Comprehensive Annual Financial Report for the year ended June 30, 2009.

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>
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
2009	859	163,420,324

Source: County Building Inspector, Town of Port Royal, Town of Hilton Head Island and City of Beaufort

Retail Sales

The following table shows the level of gross retail sales for businesses located in the County:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Total</u> <u>Retail Sales</u>
2005	\$3,646,847,632
2006	3,908,542,814
2007	3,973,795,733
2008	3,713,434,874
2009	3,360,545,855

Source: South Carolina Department of Revenue

Unemployment

The average unemployment rates 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>U.S.</u>
2005	4.9%	6.7%	5.1%
2006	4.7	6.4	4.6
2007	4.3	5.9	4.6
2008	5.3	6.9	5.8
2009	8.8	11.7	9.3

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

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>
August 2009	8.9%
September 2009	8.7
October 2009	9.0
November 2009	9.1
December 2009	9.0
January 2010	9.7
February 2010	9.5
March 2010	8.8
April 2010	7.2
May 2010	7.6
June 2010	8.1
July 2010	8.7(p)

(p) Preliminary.

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

Labor Force

The composition of the nonagricultural civilian labor force working in the County (regardless of place of residence), for the last five years for which information is available, is as follows:

<u>Sector</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Manufacturing	1,207	1,165	1,233	1,171	1,153
Construction & Mining	8,493	8,579	8,974	8,366	7,409
Transportation and Public Utilities	1,396	1,553	1,581	1,437	1,289
Wholesale and Retail Trade	11,119	11,659	11,887	12,290	12,101
Information	942	921	1,018	1,048	1,039
Finance, Insurance, and Real Estate	8,730	9,983	11,331	12,451	13,258
Services (including Agricultural Services)	38,325	38,867	40,130	42,529	42,559
Government	<u>20,162</u>	<u>20,200</u>	<u>20,241</u>	<u>20,729</u>	<u>20,937</u>
TOTAL	90,716	93,273	96,772	100,423	100,185

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:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force	61,381	62,903	63,898	63,794	64,805
Employment	58,372	59,932	61,142	60,382	59,101
Unemployment	3,009	2,971	2,756	3,412	5,704

Source: South Carolina Employment Security Commission, Labor Market Information

Population Growth

The following table shows population information for the County for the last four decades for which census figures are available, along with figures for the State and the United States for comparison.

	<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	8%	3,121,820	21%	226,545,805	11%
1990	86,425	32	3,486,703	12	248,709,873	10
2000	122,068	40	4,012,012	15	281,421,960	13
2009*	155,215	27	4,561,242	14	307,006,550	9

*Estimate.

Source: U.S. Census Bureau

The following table shows the 2000 Census population and the estimated 2009 population of all incorporated municipalities located within the County:

<u>Municipality</u>	<u>2000 Census</u>	<u>2009 Estimate</u>
Town of Hilton Head Island	33,862	34,249
City of Beaufort	12,950	12,120
Town of Port Royal	3,950*	11,421*
Town of Bluffton	1,275*	12,519*

*A portion of this growth is due to annexation.

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

Median Age and Education Levels

In 2000, the County ranked second in the State for college-educated population, with 33.2% of its population 25 years or older holding a bachelor's degree or equivalent. The following table illustrates the changes in the median age of the County and the percentage of the population 25 years old and older with a bachelor's degree or higher from Census 2000 to the latest estimate available from the U.S. Census Bureau. Median age and education statistics for the State and the United States are included for comparison purposes.

	<u>Median Age (in years)</u>			<u>Percentage over 25 with bachelor's degree</u>		
	<u>County</u>	<u>South Carolina</u>	<u>United States</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2000	35.8	35.4	35.3	33.2%	20.4%	24.4%
2008*	38.1	37.3	36.7	36.9	23.2	27.4

*latest estimate available.

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

Per Capita Personal Income

Beaufort County's per capita income has remained above state and national levels from 1996 to 2008. The County ranked first in the State in per capita personal income in 2008, 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>County¹</u>	<u>State²</u>	<u>United States</u>
2004	\$37,474	\$27,903	\$33,881
2005	39,840	29,223	35,424
2006	43,183	30,927	37,698
2007	45,427	31,925	39,392
2008	46,790	32,495	40,166
2009	N/A	31,799	39,138

Source: ¹U.S. Census Bureau; ²U.S. Bureau of Economic Analysis

Median Family Income

The County had a median family income of \$65,900 for Fiscal Year 2009. This income level ranks the County as the second highest in the State. The table below shows the median family income for a family of four in 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>
2005	\$62,150	\$52,400	\$58,000
2006	63,000	52,900	59,600
2007	61,100	50,800	59,000
2008	61,500	52,900	61,500
2009	65,900	59,663	64,000

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

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.

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 Fall 2009 headcount enrollment of 1,684 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 Fall 2009 headcount enrollment of 2,565 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 master's degrees in other subject areas.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2010, there were 65 branches of commercial banks and 11 branches of savings institutions in the County, with total deposits of \$3.58 billion at all financial institutions. 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 Bonds 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 Bonds. The proposed form of Bond Counsel's opinion appears as Appendix C 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 Bonds, including, among other things, permitted uses and investment of the proceeds of the Bonds 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 Bonds becoming subject to federal income taxation retroactive to the date of issuance of the Bonds. The County has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Bonds from gross income for federal tax purposes. Failure of the County to comply with the covenant could cause the interest on the Bonds to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the Bonds 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. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

South Carolina Taxation

The interest on the Bonds is 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 Department of Revenue 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 Bonds will be included in such computation.

Original Issue Discount

_____ (the "Purchaser") has advised that the respective initial public offering price of the Bonds maturing on _____ 1, in the years _____ (the "Discount Bonds"), is less than the respective amounts payable at maturity. An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amounts payable at maturity constitutes original issue discount ("OID"). Owners of Discount Bonds should consult their own tax advisors as to the determinations for federal income tax purposes of the amount of OID properly payable each year with respect to the Discount Bonds and as to federal tax consequences and the treatment of OID for State and local purposes.

The portion of the OID that is deemed to have accrued in each year to an owner of a Discount Bond will be included in determining the corporate alternative minimum tax, the distribution

requirements of certain investment companies, and may result in some collateral income tax consequences mentioned in the preceding sections. Consequently, owners of any Discount Bonds should be aware that the accrual of the original issue discount in each year may result in a corporate alternative minimum tax liability, additional distribution requirements, or other collateral federal and South Carolina income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period with respect to Discount Bonds purchased upon the initial offering of such Bonds will be added to the owner's tax basis for the Discount Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption, or payment at maturity).

The Code contains certain provisions relating to the accrual of original issue discount and its effect on the redemption, sale, or other disposition of the Discount Bonds that are not purchased in the initial offering at the initial offering price. Purchasers of Discount Bonds who do not acquire the Discount Bonds in the initial offering at the initial offering price should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Prospective purchasers of the Bonds which are Discount Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Bonds and other tax consequences of owning Discount Bonds.

Premium Bonds

Certain of the Bonds have been sold at public offering prices which are greater than the amount payable at maturity ("Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchase of Premium Bonds must authorize any premium over such Bonds' term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

LEGAL MATTERS

Bond Counsel Opinion

The issuance of the Bonds is subject to the favorable opinion of McNair Law Firm, P.A., Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of South Carolina. The proposed form of Bond Counsel's opinion appears as Appendix C to this Official Statement.

The 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 said firm 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 Bonds, 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, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the levy and collection of taxes to pay the Bonds; or questioning the proceedings or authority pursuant to which the Bonds are issued and taxes levied; or questioning or relating to the validity of the Bonds, 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 Bonds.

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 "Aa1" and "AA+," respectively, to the Bonds. 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 Bonds. 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 Bonds.

UNDERWRITING

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

FINANCIAL ADVISOR

Ross, Sinclaire & Associates, LLC has acted as Financial Advisor to the School District 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 School District in preparing for this financing.

Ross, Sinclaire & 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, Sinclaire & Associates, LLC has rendered financial advice. Prior to its participation in the competitive bidding process, Ross, Sinclaire & Associates, LLC will obtain the written and express consent of the School District to Ross, Sinclaire & 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, Sinclaire & Associates, LLC, will not participate in the competitive bidding process.

CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Administrator of the County will deliver to the purchaser of the Bonds 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 Bonds, 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 Bonds.

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 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 ("Rule 15c2-12"), the County has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Bonds 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; 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.

The delivery of this Official Statement and its use in connection with the sale of the Bonds 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, 2009**

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009. 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, 2009 by \$221,865,693 (net assets). Of this amount \$81,701,712 (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 \$35,403,100 during the fiscal year ended June 30, 2009 with a \$36,003,240 increase resulting from governmental activities and a \$600,140 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 \$193,420,335, an increase of \$37,804,928 in comparison with the prior year. Approximately 28 percent, \$53,255,589 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 \$18,771,412, or approximately 19 percent of the general fund expenditures and transfers.
- Beaufort County's net capital assets increased by \$28,848,266 during the current fiscal year. The increase in governmental activities net capital assets of \$28,677,556 was mostly the result of sales tax road project additions to construction in progress, purchases of property through the Real Property Purchase Program, purchases relating to emergency management communications enhancements and radios, several other road project additions throughout the County, purchases relating to the County's voice-over IP system, and construction of the Buckwalter Park Recreation Center.

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, 2009

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, the County wide general obligation bonds fund, the 2009 bond anticipation notes fund, the New River TIF bonds fund, the sales tax projects fund, the real property program fund, and the 2006 bond projects 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, three 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 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 stormwater utility, Lady's Island Airport, and the Hilton Head Island Airport, all of which are considered to be major funds of the County.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally for the County. The County uses internal service funds to account for its garage.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 68 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 61 through 203.

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 \$221,965,693 as of June 30, 2009.

Of this amount, \$105,500,611 (approximately 47 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, \$34,763,370 (approximately 16 percent), represents resources that are restricted to the repayment of the County's bonded indebtedness. The remaining balance of unrestricted net assets, \$81,701,712 (approximately 37 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, 2009

Beaufort County's Net Assets
June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>Percent Change</u>
Current and Other Assets	\$ 212,379,713	\$ 171,068,490	\$ (1,202,117)	\$ 2,478,164	\$ 211,177,596	\$ 173,546,654	21.7%
Capital Assets	<u>287,524,153</u>	<u>258,646,597</u>	<u>23,074,168</u>	<u>23,103,458</u>	<u>310,598,721</u>	<u>281,750,055</u>	<u>10.2%</u>
Total Assets	<u>\$ 499,903,866</u>	<u>\$ 429,715,087</u>	<u>\$ 21,872,051</u>	<u>\$ 25,581,622</u>	<u>\$ 521,775,917</u>	<u>\$ 455,296,709</u>	<u>14.6%</u>
Long-Term Liabilities	\$ 221,352,900	\$ 240,017,202	\$ 374,809	\$ 1,937,979	\$ 221,727,709	\$ 241,955,181	(8.4%)
Other Liabilities	<u>77,591,937</u>	<u>24,742,096</u>	<u>490,578</u>	<u>2,036,838</u>	<u>78,082,515</u>	<u>26,778,935</u>	<u>191.6%</u>
Total Liabilities	<u>\$ 298,944,837</u>	<u>\$ 264,759,298</u>	<u>\$ 865,387</u>	<u>\$ 3,974,816</u>	<u>\$ 299,810,224</u>	<u>\$ 268,734,116</u>	<u>11.6%</u>
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	\$ 82,428,443	\$ 70,906,216	\$ 23,074,168	\$ 21,340,684	\$ 105,500,611	\$ 92,246,900	12.5%
Restricted for Debt Service	34,763,370	48,605,884	-	-	34,763,370	48,605,884	(28.5%)
Unrestricted (Deficit)	<u>83,768,216</u>	<u>45,443,709</u>	<u>(2,067,504)</u>	<u>266,120</u>	<u>81,701,712</u>	<u>45,709,829</u>	<u>82.5%</u>
	<u>\$ 200,959,029</u>	<u>\$ 164,955,789</u>	<u>\$ 21,006,664</u>	<u>\$ 21,606,804</u>	<u>\$ 221,965,693</u>	<u>\$ 186,562,583</u>	<u>19.0%</u>

The County's total net assets increased by \$35,403,100 during the 2009 fiscal year. Key elements of this increase are as follows:

- There was an increase in the County's governmental current and other assets of \$41.3 million, which increased mostly because of \$53.6 million in bond anticipation note and general obligation bond borrowings within the 2009 fiscal year. The borrowings led to an increase within the County's 2009 bond anticipation note fund of \$21.1 million, an increase of \$15.9 million within the County's real property program fund, and a \$1.4 million increase within the County's 2009 general obligation bond fund. Additionally, the County's sales tax project fund increased by \$15.4 million within the 2009 fiscal year due to continued strong 1% sales tax referendum collections. These increases were partially offset by a \$17.3 million bond refunding, which helped to decrease the County's general obligation bonds fund by \$17.4 million in fiscal year 2009 compared to fiscal year ended 2008.
- The County's governmental net capital assets increased by \$28.9 million. This increase occurred mostly from the County's \$16.3 million investment in infrastructure related to the 1% sales tax referendum road project, \$4.8 million in purchases of land and easements, \$4.0 million in upgraded radios for improved communications abilities in the event of emergencies, \$2.9 million in other road projects, \$2.6 million for the County's voice-over IP system, and \$2.1 million for the Buckwalter Park Recreation Center. See the capital assets and debt administration section below for more detail.
- The \$16.7 million decrease within the County's governmental long-term liabilities was mainly caused by the County's \$17.3 million bond refunding within the 2009 fiscal year. Additionally, the \$52.6 million increase within the County's governmental other liabilities was mostly caused by the \$48.8 million bond anticipation note borrowing within fiscal year 2009. See the capital assets and debt administration section starting on page 24 for more detail.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Beaufort County's Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Services	\$ 28,636,706	\$ 38,326,955	\$ 4,854,807	\$ 5,471,284	\$ 33,491,515	\$ 41,798,239
Operating Grants and Contributions	8,046,928	8,312,520	124,681	244,466	8,171,009	8,556,986
Capital Grants and Contributions	4,223,966	7,754,421	966,411	1,004,624	5,210,377	8,759,045
General Revenues:						
Property Taxes	92,725,922	81,399,195	-	-	92,725,922	91,399,195
Sales Taxes	30,440,867	25,531,506	-	-	30,440,867	25,531,506
Grants and Contributions	10,353,360	9,621,104	-	-	10,353,360	8,821,104
Unrestricted Investment Earnings	3,728,745	4,701,846	59,803	96,760	3,786,548	4,798,606
Miscellaneous	2,756,685	9,342,533	8,354	-	2,765,039	9,342,533
Total Revenues	<u>180,915,181</u>	<u>182,990,088</u>	<u>6,035,256</u>	<u>6,807,136</u>	<u>186,950,437</u>	<u>189,797,216</u>
<u>Program Expenses</u>						
Governmental Activities:						
General Government	33,883,983	32,345,161	-	-	33,883,983	32,345,161
Public Safety	49,080,928	45,606,447	-	-	49,080,928	45,606,447
Public Works	19,820,007	21,017,938	-	-	19,820,007	21,017,938
Public Health	12,227,572	9,545,158	-	-	12,227,572	9,545,159
Public Welfare	1,935,787	2,082,811	-	-	1,935,787	2,082,811
Cultural and Recreation	16,947,113	11,682,973	-	-	16,947,113	11,682,973
Interest	10,905,551	10,691,835	-	-	10,905,551	10,691,835
Business-Type Activities:						
Stormwater Utility	-	-	3,027,952	2,896,205	3,027,952	2,896,205
Lady's Island Airport	-	-	1,129,236	845,649	1,129,236	845,649
Hilton Head Airport	-	-	2,478,208	2,675,379	2,478,208	2,675,379
Total Expenses	<u>144,911,941</u>	<u>132,871,318</u>	<u>6,635,396</u>	<u>6,417,233</u>	<u>151,547,337</u>	<u>139,288,546</u>
Excess Revenues over Expenses	36,003,240	50,118,764	(600,140)	389,903	35,403,100	50,508,667
Transfers in / (Out)	-	1,863,867	-	(1,863,667)	-	-
Change in Net Assets	36,003,240	51,982,631	(600,140)	(1,473,964)	35,403,100	50,508,667
Net Assets, Beginning	<u>164,955,789</u>	<u>112,973,158</u>	<u>21,606,804</u>	<u>23,060,768</u>	<u>186,562,593</u>	<u>136,033,926</u>
Net Assets, Ending	<u>\$ 200,958,029</u>	<u>\$ 164,955,789</u>	<u>\$ 21,006,664</u>	<u>\$ 21,586,804</u>	<u>\$ 221,965,693</u>	<u>\$ 186,542,593</u>

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Governmental activities increased the County's net assets by \$36.0 million, thereby accounting for 102 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). Additionally, it should be noted that the garage fund was classified as a business-type activity in the 2008 fiscal year and has been reclassified to an internal service fund and a general government expense within the governmental activities in the 2009 fiscal year. For comparative purposes, the garage's revenues and expenses have been reclassified to governmental activities within the 2008 balances. Key elements in fiscal year 2009's activity are as follows:

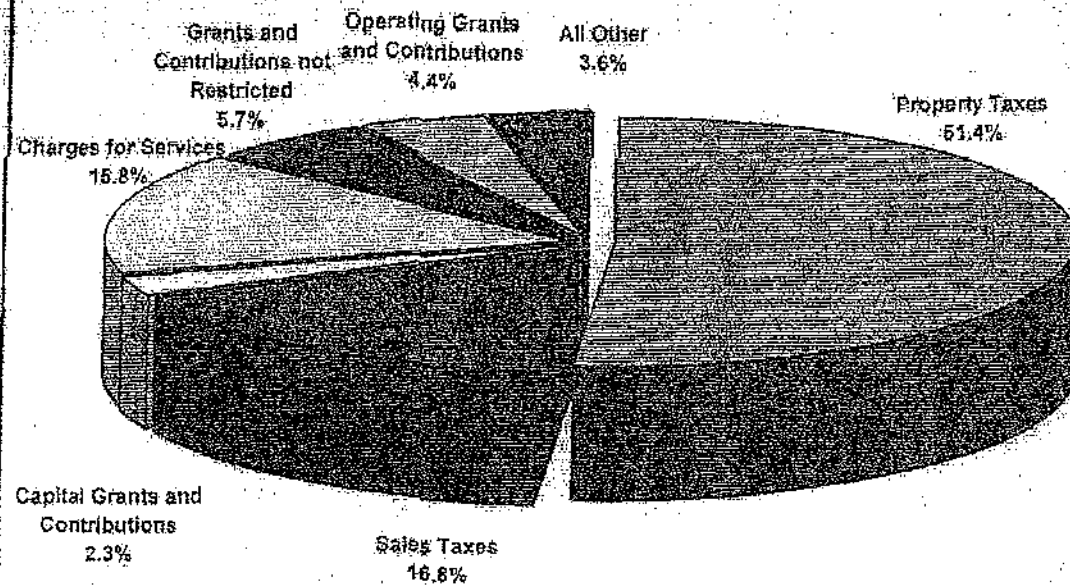
- In the 2009 fiscal year, property tax revenues increased by approximately \$11.3 million (or 13.9%) over the 2008 fiscal year. The 13.9% increase of property tax revenues in the 2009 fiscal year over the 2008 fiscal year is compared to an \$8.8 million or 12.1% increase in property tax revenues in the 2008 fiscal year over the 2007 fiscal year and compared to a \$3.9 million or 5.6% increase in property tax revenues in the 2007 fiscal year over the 2006 fiscal year. Increases in property taxes during the periods detailed above were due to larger amounts of delinquent taxes paid in subsequent fiscal years, increased millage rates, increasing property values, increasing development, and an increasing population.
- Also, the County's governmental sales taxes increased by \$4.9 million (or 19.2%) due to increased County's sales tax projects fund revenues collected in fiscal year 2009 as compared to fiscal year 2008.
- The increases in governmental property tax and sales tax revenues were offset by a \$7.7 million decrease in governmental charges for services, fueled mostly by declines in impact fees, due to the stagnant economy. In this, there was a \$3.0 million decline in road impact fees, a \$1.2 million decline in parks and leisure services impact fees, and a \$.5 million decrease in library impact fees in the 2008 fiscal year over the 2007 fiscal year. Additionally, miscellaneous revenues also decreased by \$6.5 million, which was attributable to the fact that the County received a one-time \$6.5 million litigation settlement from the builder of the County's administrative complex in fiscal year 2008.
- Also, the County's capital grants and contributions revenues decreased by \$3.5 million when comparing fiscal years 2009 and 2008, which was mostly the cause of a \$4.5 million decrease in the County's real property program intergovernmental revenues. The decrease in revenues occurred due to less property purchased in the 2009 fiscal year as opposed to the 2008 fiscal year. Additionally, the \$4.5 million decrease in revenue was partially offset by a \$1.1 million increase in public safety grant fund revenues.
- Additionally, the County's cultural and recreation expenditures increased by \$5.3 million in the 2009 fiscal year, as compared to the 2008 fiscal year. This increase was mostly due to the \$4.7 million in cultural and recreation subsidies split evenly between the University of South Carolina Beaufort and the Technical College of the Lowcountry. In prior fiscal years, the County levied continuing education millage for contributions to these higher education entities. In the 2009 fiscal year, these levies were rolled up into the County operations millage and now the County contributes to these entities directly.
- Lastly, the County's public safety expenditures increased by \$3.6 million during the 2009 fiscal year as compared to the 2008 fiscal year. The increase resulted mostly from a \$1.5 million increase in sheriff's office personnel expenditures and a \$1.1 million increase in public safety grant monies spent in the 2009 fiscal year as compared to the 2008 fiscal year.

Business-type activities decreased the County's net assets by \$.6 million, thereby accounting for a negative 2 percent of the total growth in the net assets of the County. Key elements of this net increase are as follows:

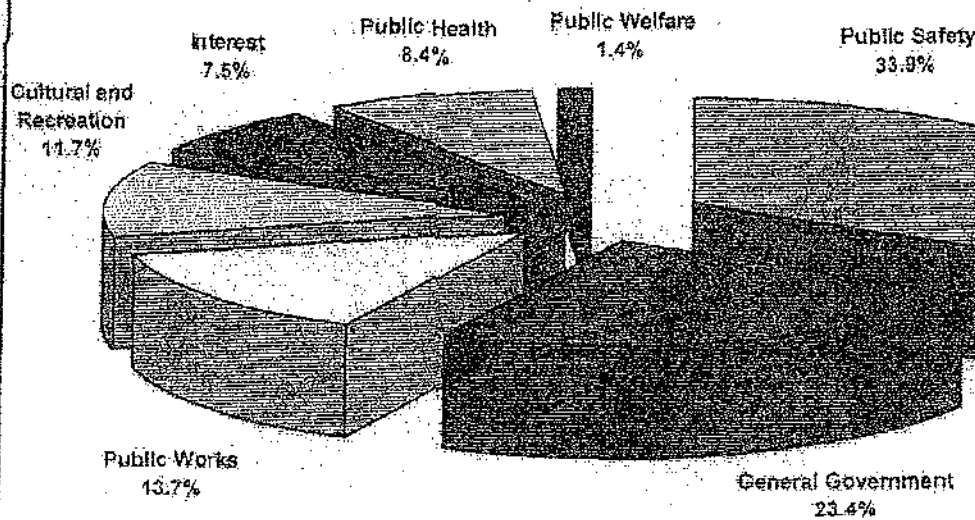
- FAA grant revenues for the Hilton Head Island Airport decreased by approximately \$405 thousand during the 2009 fiscal year compared to the 2008 fiscal year. Additionally, stormwater utility fees revenues decreased by approximately \$324 thousand during the 2009 fiscal year compared to the fiscal year ended June 30, 2008.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Revenues by Source - Governmental Activities

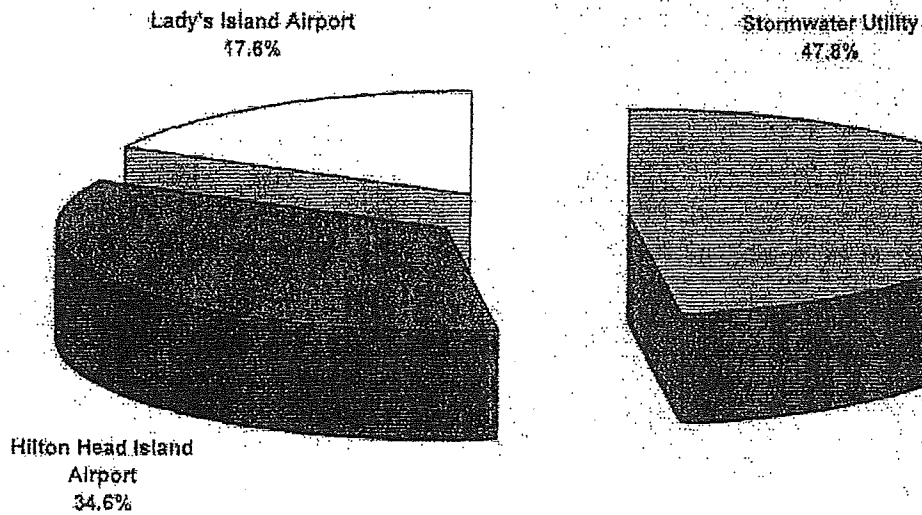


Expenditures by Program - Governmental Activities

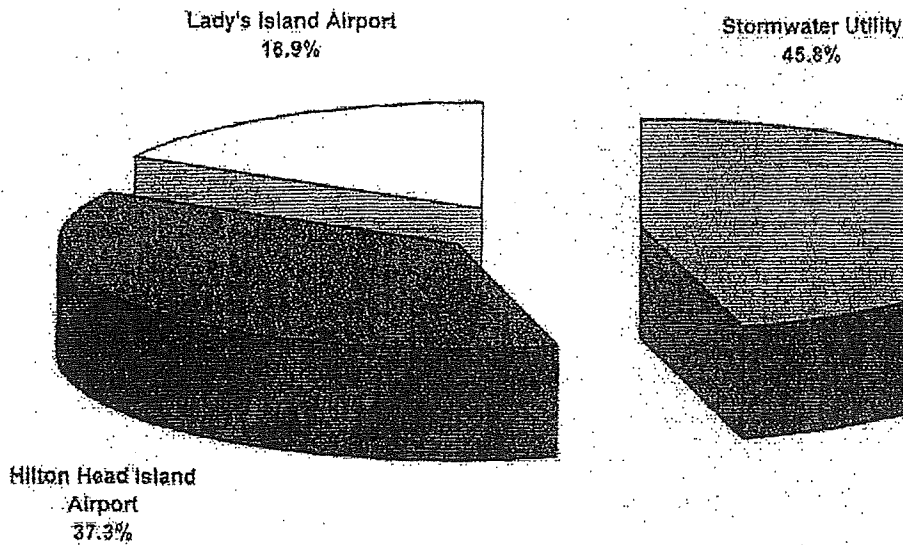


BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Revenues by Source - Business-Type Activities



Expenses by Source - Business-Type Activities



BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FINANCIAL ANALYSIS OF THE GOVERNMENTAL 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 \$193,420,336, an increase of \$37,804,928, in comparison with the prior year. Approximately 28 percent of this total fund balance (\$53,255,589) 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 (\$28,831,750), 2) to fund planned capital projects (\$74,845,975), 3) to pay debt service (\$34,763,370), and 4) advances to other funds (1,723,652).

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 \$18,771,412, while the total fund balance was \$20,940,144. 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 19% of total general fund expenditures and transfers, while total fund balance represents approximately 20% 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 \$4,361,432, all of which was reserved for debt service. The county wide general obligation bonds fund recognized revenues of \$7,565,908, total expenditures of \$29,380,048, and \$4,367,956 in other financing sources, for a net change in fund balance of (\$17,446,184). The county wide general obligation bonds fund balance experienced this significant negative net change mostly because of the partial refunding of the County's 2001 County Bonds, in which \$17,530,000 was borrowed in the 2008 fiscal year to make a bond payment of \$18,690,000 on the 2001 County Bonds in the 2009 fiscal year.

New River TIF Bonds Fund – At the end of the current fiscal year, the total fund balance of the new river TIF bonds fund was \$16,800,449, all of which was reserved for debt service. The new river TIF bonds fund recognized revenues of \$7,269,267 and total expenditures of \$2,289,459, for a net change in fund balance of \$4,979,808. The New River TIF fund balance has annually experienced a large amount of growth in the last several years, because the TIF has a small base value and has experienced significant amounts of assessed value growth during this period.

2009 Bond Anticipation Notes Fund – At the end of the current fiscal year, the total fund balance of the 2009 bond anticipation notes fund was \$17,259,309, all of which was reserved for capital projects. The 2009 bond anticipation notes fund recognized revenues of \$464,927, total expenditures of \$7,677,527, and \$28,349,707 in other financing sources, for a net change in fund balance of \$21,137,107. The bond proceeds were not realized by the County until March 2009, thus creating the significant \$21,137,107 net change in the 2009 bond anticipation notes fund balance from a (\$3,877,798) fund balance at June 30, 2008.

Sales Tax Projects Fund – At the end of the current fiscal year, the total fund balance of the sales tax projects fund was \$38,331,126, all of which was reserved for capital projects. The sales tax projects fund recognized revenues of \$30,944,249, total expenditures of \$16,332,042, and \$819,689 in other financing sources, for a net change in fund balance of \$15,431,896. The County has not completed a significant amount of its sales tax projects as of June 30, 2009, however sales tax revenues have remained at budgeted levels, causing the significant increase in fund balance during the 2009 fiscal year. The County plans to complete significant amounts of the sales tax projects over the next fiscal years.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Real Property Program Fund – At the end of the current fiscal year, the total fund balance of the real property program fund was \$19,011,102, all of which was reserved for capital projects. The real property program fund recognized revenues of \$674,922, total expenditures of \$4,794,005, and \$20,000,000 in other financing sources, for a net change in fund balance of \$15,880,917. The \$15,880,917 net increase in the County's real property program fund balance was mostly caused by the County's additional \$20,000,000 within this fund for land preservation.

2006 Bond Projects Fund – At the end of the current fiscal year, the total fund balance of the 2006 bond projects fund was \$11,950,511, all of which was reserved for capital projects. The 2006 bond projects fund recognized revenues of \$366,483, total expenditures of \$1,976,565, and \$3,377,510 in other financing sources, for a net change in fund balance of \$1,767,428. The main reason for this significant change in fund balance were \$3,415,778 in transfers into the 2006 bond projects fund related to a consolidation of bond monies for the St. Helena Library project and the DSN administration building project.

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.

As of the end of the current fiscal year, the County's proprietary funds reported combined ending net assets of \$21,006,664 an decrease of \$600,140 in comparison with the prior year.

Stormwater Utility – At the end of the current fiscal year, the net assets of the stormwater utility fund was \$2,934,378, of which \$1,462,519 was invested in capital assets, net of related debt, leaving a balance of \$1,471,860 in unrestricted net assets. The stormwater utility fund recognized operating revenues of \$2,845,833, total operating expenses of \$3,027,952, and \$40,105 in net non-operating revenues, for a change in net assets of (\$142,014). The decrease in net assets within the stormwater utility fund in the 2009 fiscal year was mostly the result of stormwater utility fees revenues decreasing by approximately \$324 thousand during the 2009 fiscal year compared to the fiscal year ended June 30, 2008.

Lady's Island Airport – At the end of the current fiscal year, the net assets of the Lady's Island Airport fund was \$3,024,483, of which \$3,457,522 was invested in capital assets, net of related debt, leaving a deficit balance of \$433,039 in unrestricted net assets. The Lady's Island Airport recognized operating revenues of \$535,016, total operating expenses of \$566,968, and \$34,953 in net non-operating expenses, for a change in net assets of (\$66,905). The decrease in net assets within the Lady's Island Airport fund in the 2009 fiscal year was mostly the result of non-operating expenses over revenues of approximately \$35 thousand, which was driven largely by tree cutting expenditures not covered by FAA grants and a \$25 thousand decrease in fuel sales profit due to the declining economy.

Hilton Head Island Airport – At the end of the current fiscal year, the net assets of the Hilton Head Island Airport fund was \$15,047,802, of which \$16,430,475 was invested in capital assets, net of related debt, leaving a deficit balance of \$1,382,673 in unrestricted net assets. The Hilton Head Island Airport recognized operating revenues of \$1,598,839, total operating expenses of \$2,152,953, and \$162,893 in net non-operating revenues, for a change in net assets of (\$391,221). The decrease in net assets within the Hilton Head Island Airport fund in the 2009 fiscal year was mostly the result of FAA grant revenues decreasing by approximately \$405 thousand during the 2009 fiscal year compared to the 2008 fiscal year.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget to Final Budget Comparison for the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Variance with Original Budget Positive (Negative)
Revenues:			
Taxes	\$ 76,643,504	\$ 76,643,504	\$ -
Licenses and Permits	4,164,073	4,164,073	-
Intergovernmental	8,895,480	8,895,480	-
Charges for Services	11,718,496	11,718,496	-
Fines and Forfeitures	894,475	894,475	-
Interest	922,746	922,746	-
Miscellaneous	<u>456,600</u>	<u>456,600</u>	-
Total Revenues	103,695,374	103,695,374	-
Expenditures:			
General Government	23,175,720	23,307,182	(131,462)
Public Safety	41,264,839	41,035,968	228,871
Public Works	16,933,829	15,923,633	1,010,196
Public Health	5,280,148	5,156,111	124,037
Public Welfare	1,014,675	1,014,675	-
Culture and Recreation	<u>13,806,919</u>	<u>13,860,962</u>	<u>(54,043)</u>
Total Expenditures	101,476,130	100,298,531	1,177,599
Excess of Revenues Over (Under)			
Expenditures	2,219,244	3,396,843	1,177,599
Other Financing Sources (Uses)			
Transfers In	856,500	1,586,500	730,000
Transfers Out	<u>(3,075,744)</u>	<u>(3,716,980)</u>	<u>(641,236)</u>
Total Other Financing Sources (Uses)	(2,219,244)	(2,130,480)	88,764
Net Change in Fund Balance	-	1,266,363	1,266,363
Fund Balance at the Beginning of the Year	<u>19,756,991</u>	<u>19,756,991</u>	-
Fund Balance at the End of the Year	<u>\$ 19,756,991</u>	<u>\$ 21,023,354</u>	<u>\$ 1,266,363</u>

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The general fund original budget's net assets varied from its final budget's net assets by \$1,266,363. The key element of this net budget decrease is as follows:

- There was a decreasing \$1.0 million budget revision to the County's public works expenditures. The \$1.0 million decrease in the revised fiscal year 2009 budget as opposed to the original budget within the County's public works mostly related to waste hauling services coming in approximately \$1.5 million less than originally budgeted. As such the County revised its budget downward to accommodate these unanticipated savings as they were seen throughout the year.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Final Budget to Actual Comparison for the Fiscal Year Ended June 30, 2009

	Final		Variance with Final Budget
	Budget	Actual	Positive Negative
Revenues:			
Taxes	\$ 76,643,504	\$ 74,049,850	\$ (2,593,654)
Licenses and Permits	4,164,073	2,787,597	(1,376,476)
Intergovernmental	8,895,480	9,064,132	168,652
Charges for Services	11,718,496	10,181,054	(1,537,442)
Fines and Forfeitures	894,475	1,063,709	169,234
Interest	922,746	1,033,426	110,680
Miscellaneous	<u>456,600</u>	<u>1,091,778</u>	<u>635,178</u>
Total Revenues	103,695,374	99,271,546	(4,423,828)
Expenditures:			
General Government	23,307,182	21,049,036	2,258,146
Public Safety	41,035,968	40,265,774	770,194
Public Works	15,923,633	15,392,335	531,298
Public Health	5,156,111	5,151,909	4,202
Public Welfare	1,014,675	932,425	82,250
Culture and Recreation	<u>13,860,962</u>	<u>13,354,314</u>	<u>506,648</u>
Total Expenditures	100,298,531	96,145,793	4,152,738
Excess of Revenues Over (Under)			
Expenditures	3,396,843	3,125,753	(271,090)
Other Financing Sources (Uses)			
Transfers In	1,586,500	869,682	(716,818)
Transfers Out	<u>(3,716,980)</u>	<u>(2,812,282)</u>	<u>904,698</u>
Total Other Financing			
Sources (Uses)	(2,130,480)	(1,942,600)	187,880
Net Change in Fund Balance	1,266,363	1,183,153	(83,210)
Fund Balance at the			
Beginning of the Year	<u>19,756,991</u>	<u>19,756,991</u>	<u>-</u>
Fund Balance at the			
End of the Year	<u>\$ 21,023,354</u>	<u>\$ 20,940,144</u>	<u>\$ (83,210)</u>

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The actual net assets of the County's general fund varied from its final budget's net assets by (\$83,210). Key elements of this are as follows:

- The County's tax revenues were approximately \$2.6 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.
- Additionally, actual charges for services revenues were approximately \$1.5 million less than budgeted. This was caused mostly from a \$2.2 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. The budget shortfall within the register of deeds was partially offset by master in equity fees generating \$.6 million more in revenues than budgeted, which was the result of increasing foreclosure rates.
- The County's licenses and permits revenues were also approximately \$1.4 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 \$.6 million less than budgeted. These shortfalls in revenues were caused primarily by the declining economy, especially within new housing construction.
- To react to the decreasing revenues, the County decreased its expenditures by approximately \$4.2 million. These decreases came mostly within a \$2.3 million positive budget to actual variance within general government expenditures, a \$.7 million positive budget to actual variance within public safety expenditures, a \$.5 million positive budget to actual variance within public works expenditures, and a \$.5 million positive budget to actual variance within cultural and recreation expenditures.
 - The \$2.3 million positive variance within the County's general government expenditures from the final budget was mostly driven by the County not using approximately \$.5 million in contingency funds within the County Council budget, the Housing Coordinator not expending approximately \$.5 million in budgeted direct subsidies, voter registration personnel expenditures coming in \$.2 million less than budgeted, the magistrate's court and assessor's office personnel expenditures each coming in \$.1 million less than budgeted, and the planning department using \$.1 million less in professional services than budgeted.
 - The \$.7 million positive variance within the County's public safety expenditures from the final budget came mostly from personnel expenditures being a combined \$1.1 million less within the County's sheriff's office, communications/traffic management department, and emergency services department. This was partially offset by actual capital expenditures being approximately \$.3 million more than budget within the County's sheriff's office.
 - The \$.5 million positive variance within the County's public works expenditures from the final budget came mostly from personnel expenditures being a combined \$.5 million less than budgeted for the County's facilities maintenance, public works, engineering, and solid waste/recycling departments.
 - The \$.5 million positive variance within the County's cultural and recreation expenditures from the final budget came mostly from personnel expenditures being a combined \$.5 million less than budgeted for the County's parks and recreation department and the County's libraries.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009 was \$310,598,321 (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 10 percent (in which governmental activities capital assets increased by approximately 11 percent and business-type activities capital assets decreased by approximately 1 percent).

Beaufort County's Capital Assets
(Net of Depreciation)
June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and Easements	\$ 80,661,514	\$ 75,884,513	\$ 13,802,425	\$ 13,802,425	\$ 94,463,939	\$ 89,686,938
Construction in Progress	43,067,711	15,160,362	672,020	53,159	43,739,731	15,213,521
Buildings and Improvements	82,854,192	87,026,607	6,766,758	7,227,123	89,620,950	94,253,730
Infrastructure	65,235,335	65,844,924	-	-	65,235,335	65,844,924
Equipment	<u>15,705,401</u>	<u>14,730,191</u>	<u>1,832,965</u>	<u>2,020,751</u>	<u>17,538,366</u>	<u>16,750,942</u>
Total Capital Assets	<u>\$ 287,524,153</u>	<u>\$ 258,646,597</u>	<u>\$ 23,074,168</u>	<u>\$ 23,103,458</u>	<u>\$ 310,598,321</u>	<u>\$ 281,750,055</u>

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

- The County purchased approximately \$4.1 million in governmental activities land and easements for the County's rural and critical lands program.
- The County added approximately \$36.0 million of investments to construction in progress, which included \$16.3 million in sales tax fund projects, \$1.1 million in road improvements to Burnt Church Road, \$2.4 million for communications infrastructure improvements, \$2.1 million for the Buckwaller Park Recreation Center project, and \$2.6 million for the County's VOIP system.

Additional information on the County's capital assets can be found in note 4 on pages 50 through 51 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Long-Term Debt – At the end of the current fiscal year, Beaufort County had \$270,495,927 of total long-term debt outstanding. Of this amount, \$208,060,000 comprises of debt backed by the full faith and credit of the government.

Beaufort County's Outstanding Debt
June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 159,305,000	\$ 177,515,000	\$ -	\$ -	\$ 159,305,000	\$ 177,515,000
TIF Revenue Bonds	60,575,000	62,760,000	-	-	60,575,000	62,760,000
Bond Anticipation Notes	48,755,000	-	-	-	48,755,000	-
Loan Payable to General Fund	-	-	1,682,537	1,762,774	1,682,537	1,762,774
Capital Leases	<u>178,390</u>	<u>210,091</u>	<u>-</u>	<u>-</u>	<u>178,390</u>	<u>210,091</u>
Total Outstanding Debt	<u>\$ 268,813,390</u>	<u>\$ 240,485,091</u>	<u>\$ 1,682,537</u>	<u>\$ 1,762,774</u>	<u>\$ 270,495,927</u>	<u>\$ 242,247,865</u>

Major outstanding debt events during the current fiscal year included the following:

- In March 2009, the County issued \$48,755,000 of bond anticipation notes bearing an interest rate of 1.75% with a maturity date of March 2010. \$28,755,000 of the proceeds of the bond anticipations notes were used for various County construction projects and equipment, while the other \$20,000,000 of the proceeds of these bonds were used for the County's rural and critical lands projects.
- In March 2009, the County issued \$5,000,000 in general obligation bonds bearing interest rates of 2.5% to 3% and with varying maturity dates through 2012. The proceeds of these bonds were used for various County projects.
- In January 2009, the County paid \$18,690,000 in principal of its 2001 general obligation bonds in a partial bond refunding, which related to the \$17,530,000 2007B County general obligation bond borrowing in the 2008 fiscal year.
- Between November 2008 and January 2009, the County was able to repurchase \$1,670,000 of its Bluffton TIF bonds in open-market transactions. This allowed the County to pay down a total of \$1,875,000 of principal related to these bonds in the 2009 fiscal year.
- Lastly, there was \$25,465,823 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 \$143,581,243. Beaufort County was \$85,910,785 under this legal limit at June 30, 2009. However, the County plans to refinance its 2009 bond anticipation notes within the next fiscal years, which would bring Beaufort County to \$37,155,785 under the legal limit at June 30, 2009.

Additional information on the County's long-term debt can be found in note 5 on pages 51 through 59 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Beaufort County was 9.1 percent at June 30, 2009, which is an increase from a rate of 5.2 percent a year ago. This compares favorably with the State of South Carolina's average unemployment rate of 12.1 percent at June 30, 2009 and the national average unemployment rate of 9.5 percent at June 30, 2009.
- The housing market downturn continued to affect the County during the 2009 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 2010 fiscal year.

During the 2009 fiscal year, unreserved, undesignated fund balance in the general fund decreased by \$212,629. No fund balance of the general fund has been appropriated for spending in the County's 2010 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.

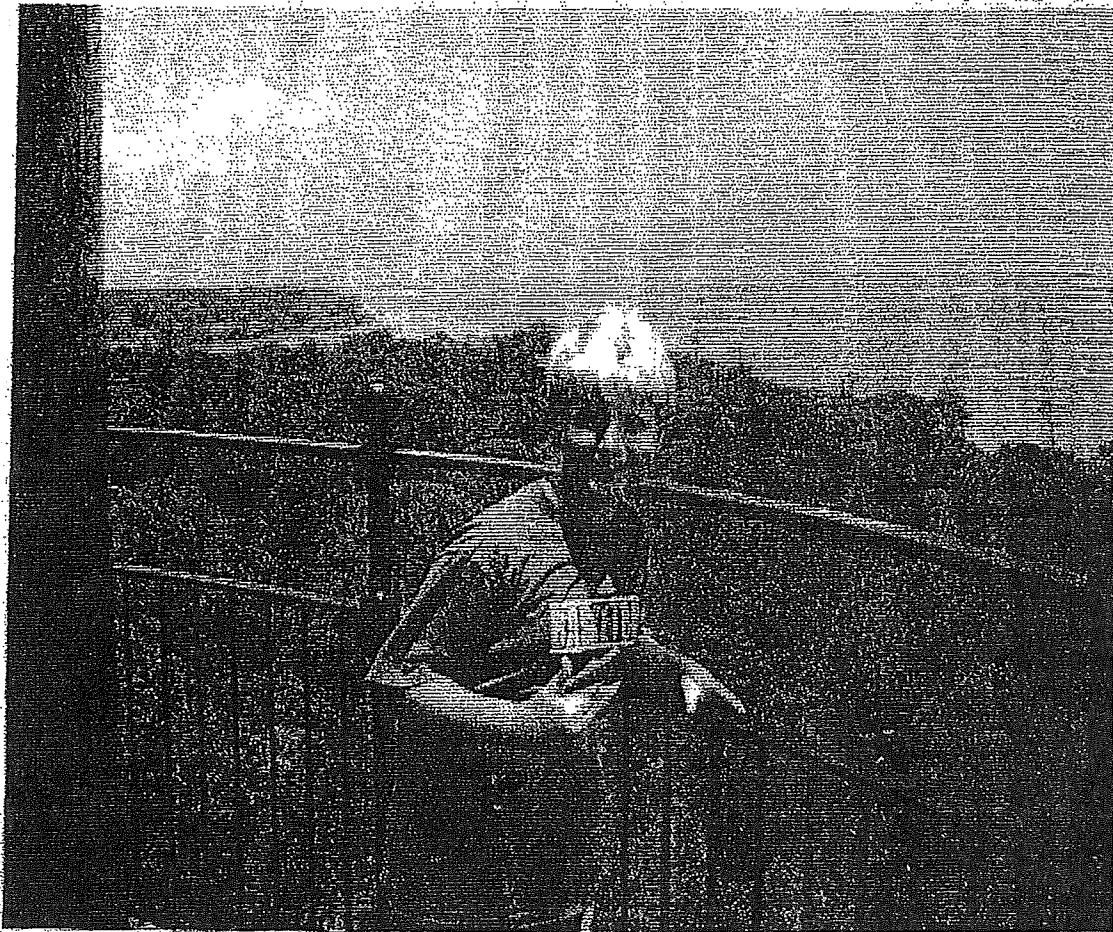


Photo by Pat Roche

More than 1-million visitors each year travel through the gates of Hunting Island State Park. Many of them enjoy climbing to the top of the park's historic lighthouse for a seagull's view of the beach and maritime forest.

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Equity in Pooled Cash and Investments	\$ 178,282,421	\$ 1,643,030	\$ 179,925,451
Receivables, Net	6,793,102	429,841	7,222,943
Due from Other Governments	9,538,746	-	9,538,746
Due to General Fund	1,777,945	(1,777,945)	-
Advances from General Fund	41,115	(41,115)	-
Note receivable	47,143	-	47,143
Inventories	46,727	225,754	272,481
Prepaid Expenditures	829,534	855	830,389
	<u>197,356,733</u>	<u>480,420</u>	<u>197,837,153</u>
Noncurrent Assets			
Equity in Pooled Investments	12,003,300	-	12,003,300
Advances from General Fund	1,682,537	(1,682,537)	-
Note receivable	1,337,143	-	1,337,143
	<u>15,022,980</u>	<u>(1,682,537)</u>	<u>13,340,443</u>
Capital Assets			
Non-Depreciable	123,729,225	14,474,445	138,203,670
Depreciable	163,794,928	8,599,723	172,394,651
	<u>287,524,153</u>	<u>23,074,168</u>	<u>310,598,321</u>
Total Assets	<u>499,903,866</u>	<u>21,872,051</u>	<u>621,775,917</u>
LIABILITIES			
Liabilities			
Accounts Payable	13,038,373	346,214	13,384,587
Accrued Payroll	3,425,636	138,867	3,564,503
Accrued Compensated Absences	155,422	5,497	160,919
Accrued Interest Payable	3,515,299	-	3,515,299
Current Portion of Long Term Debt	56,352,954	-	56,352,954
Due to Others	1,098,631	-	1,098,631
Deferred Revenues	5,622	-	5,622
	<u>77,591,937</u>	<u>490,578</u>	<u>78,082,515</u>
Long Term Liabilities			
Accrued Compensated Absences	2,953,013	104,455	3,057,468
Net Other Postemployment Benefits Obligation	5,939,451	270,354	6,209,805
Long-Term Obligations	212,460,436	-	212,460,436
	<u>221,352,900</u>	<u>374,809</u>	<u>221,727,709</u>
Total Liabilities	<u>298,944,837</u>	<u>865,387</u>	<u>299,810,224</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	82,426,443	23,074,168	105,500,611
Restricted for Debt Service	34,763,370	-	34,763,370
Unrestricted (Deficit)	83,769,216	(2,067,504)	81,701,712
Total Net Assets	<u>\$ 200,959,029</u>	<u>\$ 21,006,664</u>	<u>\$ 221,965,693</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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 33,883,983	\$ 16,717,090	\$ 1,362,951	\$ 500,000
Public Safety	49,090,928	7,193,599	694,857	1,924,359
Public Works	19,920,007	3,125,389	320,716	1,789,607
Public Health	12,227,572	479,704	4,828,507	-
Public Welfare	1,935,787	22,429	398,003	-
Cultural and Recreation	16,947,113	1,098,497	441,894	-
Interest	10,906,551	-	-	-
Total Governmental Activities	144,911,941	28,636,708	8,046,928	4,223,966
Business-Type Activities				
Stormwater Utility	3,027,952	2,845,833	-	-
Lady's Island Airport	1,129,236	535,016	-	527,315
Hilton Head Airport	2,478,208	1,473,958	124,881	459,096
Total Business-Type Activities	6,635,398	4,854,807	124,881	986,411
Total	\$ 151,547,337	\$ 33,491,515	\$ 8,171,809	\$ 5,210,377
General Revenues & Transfers				
Property Taxes				
Sales Taxes				
Grants and Contributions Not Restricted				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues & Transfers				
Change in Net Assets				
Net Assets, Beginning				
Net Assets, Ending				

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
\$ (15,303,942)	\$ -	\$ (15,303,942)
(39,278,113)	-	(39,278,113)
(14,674,295)	-	(14,674,295)
(6,919,361)	-	(6,919,361)
(1,515,355)	-	(1,515,355)
(15,406,722)	-	(15,406,722)
(10,906,551)	-	(10,906,551)
(104,004,339)	-	(104,004,339)
-	(182,119)	(182,119)
-	(66,905)	(66,905)
-	(420,273)	(420,273)
-	(669,297)	(669,297)
\$ (104,004,339)	\$ (669,297)	\$ (104,673,636)
\$ 92,725,922	\$ -	\$ 92,725,922
30,440,867	-	30,440,867
10,353,360	-	10,353,360
3,728,745	59,803	3,788,548
2,758,685	9,354	2,768,039
140,007,579	69,157	140,076,736
36,003,240	(600,140)	35,403,100
164,955,789	21,606,804	186,562,593
\$ 200,959,029	\$ 21,006,664	\$ 221,965,693

BEAUFORT COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	County Wide General Obligation Bonds	New River TIF Bonds	2009 Bond Anticipation Notes
ASSETS				
Cash and Equity in Pooled Cash and Investments	\$ 21,681,786	\$ 2,871,006	\$ 16,800,449	\$ 18,887,667
Receivables, Net	4,395,065	211,562	-	-
Due from Other Governments	1,827,292	28	-	-
Due to General Fund	1,777,945	-	-	-
Advances from General Fund	1,723,652	-	-	-
Note receivable	-	1,384,286	-	-
Prepaid Expenditures	745,456	-	-	-
Total Assets	<u>\$ 32,151,196</u>	<u>\$ 4,466,882</u>	<u>\$ 16,800,449</u>	<u>\$ 18,887,667</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 6,257,449	\$ -	\$ -	\$ 1,628,358
Accrued Payroll	2,947,065	-	-	-
Due to Others	819,269	-	-	-
Deferred Property Tax Revenue	1,187,269	105,450	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>11,211,052</u>	<u>105,450</u>	<u>-</u>	<u>1,628,358</u>
FUND BALANCE				
Reserved for Encumbrances	445,080	-	-	10,333,732
Reserved for Capital Projects	-	-	-	6,925,577
Reserved for Debt Service	-	4,361,432	16,800,449	-
Reserved for Advances to Other Funds	1,723,652	-	-	-
Unreserved	<u>18,771,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>20,940,144</u>	<u>4,361,432</u>	<u>16,800,449</u>	<u>17,259,309</u>
Total Liabilities and Fund Balance	<u>\$ 32,151,196</u>	<u>\$ 4,466,882</u>	<u>\$ 16,800,449</u>	<u>\$ 18,887,667</u>

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

Sales Tax Projects	Real Property Program	2006 Bond Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 32,864,273	\$ 19,011,102	\$ 11,980,640	\$ 66,174,145	\$ 190,271,068
-	-	-	1,964,994	6,571,621
6,818,262	-	-	893,164	9,538,746
-	-	-	-	1,777,945
-	-	-	-	1,723,652
-	-	-	-	1,384,286
-	-	-	12,352	757,808
<u>\$ 39,682,535</u>	<u>\$ 19,011,102</u>	<u>\$ 11,980,640</u>	<u>\$ 69,044,655</u>	<u>\$ 212,025,126</u>
\$ 1,339,710	\$ -	\$ 30,129	\$ 3,465,988	\$ 12,721,634
11,699	-	-	464,848	3,423,612
-	-	-	279,362	1,098,631
-	-	-	62,572	1,355,291
-	-	-	5,622	5,622
<u>1,351,409</u>	<u>-</u>	<u>30,129</u>	<u>4,278,392</u>	<u>18,604,790</u>
15,953,730	-	214,146	1,885,062	28,831,750
22,377,396	19,011,102	11,736,365	14,795,535	74,845,975
-	-	-	13,601,489	34,763,370
-	-	-	-	1,723,652
-	-	-	34,484,177	53,255,589
<u>38,331,126</u>	<u>19,011,102</u>	<u>11,950,511</u>	<u>64,766,263</u>	<u>193,420,336</u>
<u>\$ 39,682,535</u>	<u>\$ 19,011,102</u>	<u>\$ 11,980,640</u>	<u>\$ 69,044,655</u>	<u>\$ 212,025,126</u>

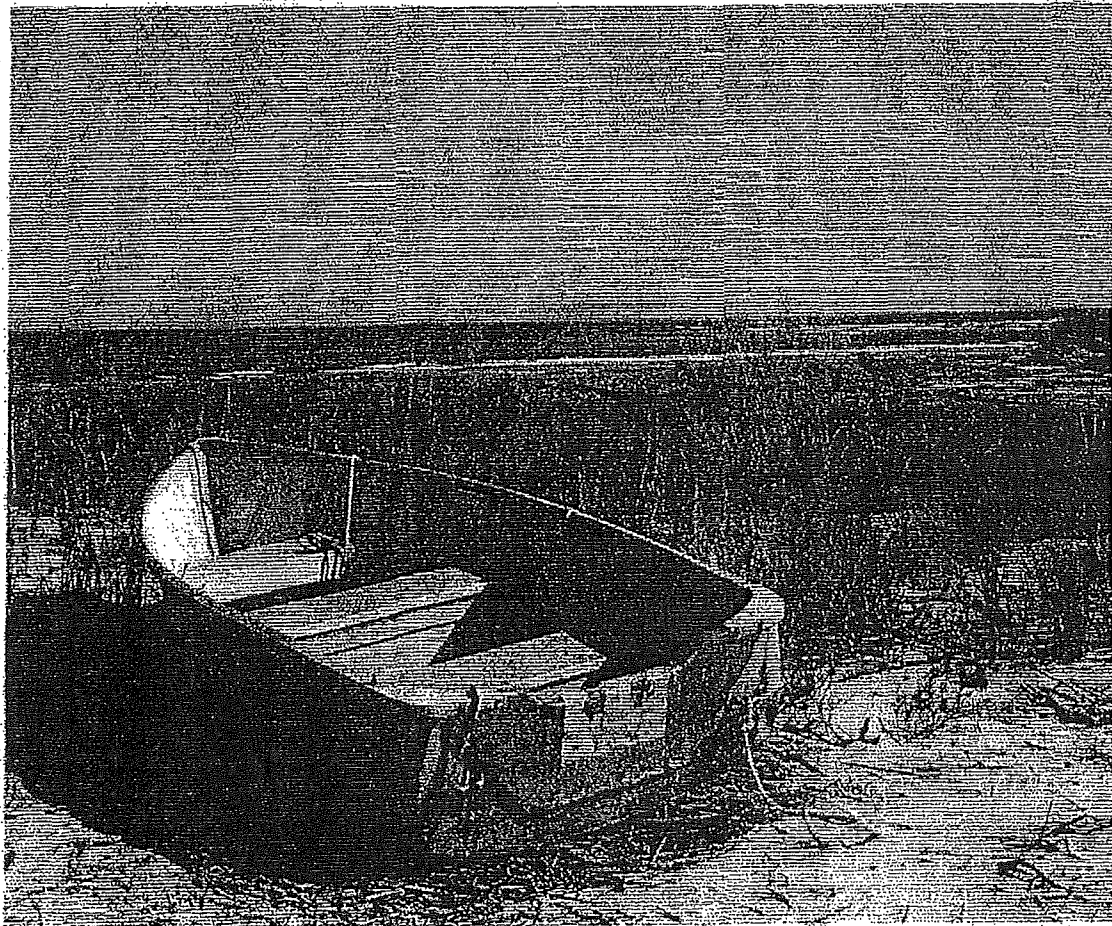


Photo by Ed Funk

A john boat lies on the beach at Pritchard's Island. The island is owned by the University of South Carolina and is accessible only by boat. It is home to a sea turtle nesting ground and center for ecological studies. Groups of students, artists, naturalists, researchers and tourists stay in the island's only cabin to enjoy an experience on a pristine barrier island.

BEAUFORT COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total Governmental Fund Balances (Exhibit 3)	\$ 193,420,336
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 (\$287,524,153 less internal service fund balance of \$205,801)	287,318,352
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred in governmental funds - property taxes	1,355,291
Internal service funds are used by management to charge the costs of fleet services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	236,602
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	(3,515,299)
Current Portion of Long Term Debt	(56,352,954)
Accrued Compensated Absences (\$3,108,435 less internal service fund balance of \$4)	(3,108,431)
Net Other Post Employment Benefits Obligation (\$5,939,451 less internal service fund balance of \$5,019)	(5,934,432)
Long-term obligations	<u>(212,460,436)</u>
Net Assets of Governmental Activities	<u>\$ 200,959,029</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	County Wide General Obligation Bonds	New River TIF Bonds	2009 Bond Anticipation Notes
Revenues				
Property Taxes	\$ 74,049,850	\$ 6,671,181	\$ 7,189,830	\$ -
Licenses and Permits	2,787,597	-	-	-
Intergovernmental	9,064,132	146,580	-	204,801
Charges for Services	10,181,054	-	-	-
Fines and Forfeitures	1,063,709	-	-	-
Interest	1,033,426	748,147	79,437	260,126
Miscellaneous	1,091,778	-	-	-
Total Revenues	99,271,546	7,565,908	7,269,267	464,927
Expenditures				
Current				
General Government	21,049,036	-	-	-
Public Safety	40,265,774	-	-	-
Public Works	15,392,335	-	-	-
Public Health	6,151,009	-	-	-
Public Welfare	932,425	-	-	-
Cultural and Recreation	13,354,314	-	-	-
Debt Service - Principal	-	22,610,000	310,000	-
Debt Service - Interest and Fees	-	6,770,048	1,979,459	-
Capital Projects	-	-	-	7,677,527
Total Expenditures	96,145,793	29,380,048	2,289,459	7,677,527
Excess of Revenues Over (Under) Expenditures	3,125,753	(21,814,140)	4,979,808	(7,212,600)
Other Financing Sources (Uses)				
Issuance of Bonds	-	-	-	28,755,000
Transfers In	869,682	4,367,956	-	2,849,678
Transfers Out	(2,812,282)	-	-	(3,254,971)
Total Other Financing Sources (Uses)	(1,942,600)	4,367,956	-	28,349,707
Net Change in Fund Balance	1,183,153	(17,446,184)	4,979,808	21,137,107
Fund Balance at the Beginning of the Year	19,756,991	21,807,616	11,820,641	(3,877,798)
Fund Balance at the End of the Year	\$ 20,940,144	\$ 4,361,432	\$ 16,800,449	\$ 17,259,309

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

Sales Tax Projects	Real Property Program	2006 Bond Projects	Nonmajor Governmental Funds	Totals Governmental Funds
\$ -	\$ -	\$ -	\$ 4,340,430	\$ 92,251,291
-	-	-	5,501,828	8,289,425
30,440,867	500,000	266,876	12,441,865	53,065,121
-	-	-	4,352,487	14,533,541
-	-	-	290,826	1,354,535
503,382	174,922	99,607	829,698	3,728,745
-	-	-	1,840,547	2,932,325
<u>30,944,249</u>	<u>674,922</u>	<u>366,483</u>	<u>29,597,681</u>	<u>176,154,983</u>
-	-	-	5,089,074	26,138,110
-	-	-	5,376,636	45,642,410
-	-	-	1,906,376	17,298,711
-	-	-	7,018,749	12,170,658
-	-	-	523,772	1,456,197
-	-	-	626,380	13,980,694
-	-	-	2,475,000	25,395,000
-	-	-	2,289,782	11,039,289
<u>16,332,042</u>	<u>4,794,005</u>	<u>1,976,565</u>	<u>8,203,847</u>	<u>38,983,986</u>
<u>16,332,042</u>	<u>4,794,005</u>	<u>1,976,565</u>	<u>33,509,616</u>	<u>192,105,055</u>
14,612,207	(4,119,083)	(1,610,082)	(3,911,935)	(15,950,072)
-	20,000,000	-	5,000,000	53,755,000
819,689	-	3,415,778	5,309,064	17,631,847
-	-	(38,268)	(11,526,326)	(17,631,847)
<u>819,689</u>	<u>20,000,000</u>	<u>3,377,510</u>	<u>(1,217,262)</u>	<u>53,755,000</u>
15,431,896	15,880,917	1,767,428	(5,129,197)	37,804,928
<u>22,899,230</u>	<u>3,130,185</u>	<u>10,183,083</u>	<u>69,895,460</u>	<u>155,616,408</u>
<u>\$ 38,331,126</u>	<u>\$ 19,011,102</u>	<u>\$ 11,950,511</u>	<u>\$ 64,766,263</u>	<u>\$ 193,420,336</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, 2009

Total Net Change in Fund Balances - Governmental Funds (Exhibit 4)	\$	37,804,928
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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		41,690,229
Depreciation		(12,407,855)

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		(173,640)
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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		474,631
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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 and Bond Anticipation Notes		(53,755,000)
Bond Principal Payments		25,395,000
Capital Lease Principal Payments		31,701

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

Decrease in Accrued Interest		132,738
Increase in Accrued Compensated Absences		(349,365)
Increase in Other Post Employment Benefit Cost		(2,689,709)

Elimination of Internal service fund capital assets less the internal service fund's change in net assets		(150,418)
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Change in Net Assets of Governmental Activities	\$	<u>36,003,240</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 (GAAP BASIS) AND ACTUAL
 GENERAL FUND
 For the Year Ended June 30, 2009

	GENERAL			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 76,643,504	\$ 76,643,504	\$ 74,049,850	\$ (2,593,654)
Licenses and Permits	4,184,073	4,164,073	2,787,597	(1,376,476)
Intergovernmental	8,895,480	8,895,480	9,064,132	168,652
Charges for Services	11,718,496	11,718,496	10,181,054	(1,537,442)
Fines and Forfeitures	894,475	894,475	1,063,709	169,234
Interest	922,746	922,746	1,033,426	110,680
Miscellaneous	456,600	456,600	1,091,778	635,178
Total Revenues	<u>103,695,374</u>	<u>103,695,374</u>	<u>99,271,546</u>	<u>(4,423,828)</u>
Expenditures				
General Government	23,175,720	23,307,182	21,049,036	2,258,146
Public Safety	41,264,839	41,035,968	40,265,774	770,194
Public Works	16,933,829	15,923,633	15,392,335	531,298
Public Health	5,280,148	5,156,111	5,151,909	4,202
Public Welfare	1,014,675	1,014,675	932,425	82,250
Cultural and Recreation	13,806,919	13,860,962	13,354,314	506,648
Total Expenditures	<u>101,476,130</u>	<u>100,298,531</u>	<u>96,145,793</u>	<u>4,152,738</u>
Excess of Revenues Over (Under) Expenditures	2,219,244	3,396,843	3,125,753	(271,090)
Other Financing Sources (Uses)				
Transfers In	856,500	1,586,500	869,682	(716,818)
Transfers Out	(3,075,744)	(3,716,980)	(2,812,282)	904,698
Total Other Financing Sources (Uses)	<u>(2,219,244)</u>	<u>(2,130,480)</u>	<u>(1,942,600)</u>	<u>187,880</u>
Net Change in Fund Balance	-	1,266,363	1,183,153	(83,210)
Fund Balance at the Beginning of the Year	<u>19,756,991</u>	<u>19,756,991</u>	<u>19,756,991</u>	<u>-</u>
Fund Balance at the End of the Year	<u>\$ 19,756,991</u>	<u>\$ 21,023,354</u>	<u>\$ 20,940,144</u>	<u>\$ (83,210)</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Garage
ASSETS					
Current Assets					
Cash and Investments with Trustee	\$ 1,642,458	\$ 372	\$ 200	\$ 1,643,030	\$ 14,653
Receivables, Net	82,042	35,160	312,639	429,841	221,481
Internal Balances	-	(240,000)	240,000	-	-
Inventories	165,047	60,707	-	225,754	46,727
Prepayments	209	184	462	855	71,726
Total Current Assets	1,889,756	(143,577)	553,301	2,299,480	354,587
Capital Assets	2,626,576	4,082,948	23,624,582	30,334,106	417,789
Accumulated Depreciation	(1,164,057)	(625,426)	(5,470,455)	(7,259,938)	(211,988)
	1,462,519	3,457,522	18,154,127	23,074,168	205,801
Total Assets	\$ 3,352,275	\$ 3,313,945	\$ 18,707,428	\$ 25,373,648	\$ 560,388
LIABILITIES					
Liabilities					
Account Payable	65,235	70,128	210,851	346,214	316,739
Accrued Payroll	89,780	5,425	43,662	138,867	2,024
Accrued Compensated Absences	3,501	105	1,891	5,497	-
Due to General Fund	-	206,800	1,571,145	1,777,945	-
Current Portion of Advance from General Fund	-	-	41,115	41,115	-
Total Current Liabilities	158,516	282,458	1,868,664	2,309,638	318,763
Long Term Liabilities					
Accrued Compensated Absences	66,528	1,985	35,942	104,455	4
Net Other Postemployment Benefits Obligation	192,852	5,019	72,483	270,354	5,019
Advance from General Fund	-	-	1,682,537	1,682,537	-
Total Long Term Liabilities	259,380	7,004	1,790,962	2,057,346	5,023
Total Liabilities	417,896	289,462	3,659,626	4,366,984	323,786
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,462,519	3,457,522	18,154,127	23,074,168	205,801
Unrestricted (Deficit)	1,471,860	(433,039)	(3,106,325)	(2,067,504)	30,801
Total Net Assets	\$ 2,934,379	\$ 3,024,483	\$ 15,047,802	\$ 21,006,664	\$ 236,602

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, 2009

	Business-Type Activities - Enterprise Funds				Internal
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Service Fund Garage
Operating Revenues					
Garage Billings	\$ -	\$ -	\$ -	\$ -	\$ 1,871,681
Fuel and Oil Sales	-	415,834	-	415,834	2,586,608
Stormwater Utility Fees	2,587,030	-	-	2,587,030	-
Stormwater Utility Project Billings	258,803	-	-	258,803	-
FBO Ground Lease	-	-	34,331	34,331	-
FBO Concessions	-	-	38,722	38,722	-
FBO Fuel Commission	-	-	86,141	86,141	-
Concession Sales	-	6,278	-	6,278	-
Firefighting Fees	-	-	333,731	333,731	-
Landing Fees	-	14,554	164,011	178,565	-
Parking/Taxi Fees	-	-	32,505	32,505	-
Rentals	-	98,350	670,526	768,876	-
Hanger Rentals	-	-	111,631	111,631	-
TSA Revenues	-	-	124,881	124,881	-
Other Charges	-	-	2,360	2,360	917
Total Operating Revenues	<u>2,845,833</u>	<u>635,016</u>	<u>1,598,839</u>	<u>4,979,688</u>	<u>4,459,206</u>
Operating Expenses					
Costs of Sales and Services	-	278,845	-	278,845	2,413,764
Personnel	1,895,869	111,540	964,510	2,971,919	49,371
Purchased Services	429,826	103,803	519,099	1,052,728	1,905,086
Supplies	417,313	10,567	43,529	471,409	12,297
Bad Debt Expense	-	4,911	5,000	9,911	-
Depreciation	<u>284,944</u>	<u>57,302</u>	<u>620,815</u>	<u>963,061</u>	<u>25,376</u>
Total Operating Expenses	<u>3,027,952</u>	<u>566,968</u>	<u>2,152,953</u>	<u>5,747,873</u>	<u>4,405,904</u>
Operating Income (Loss)	(182,119)	(31,952)	(554,114)	(768,185)	53,302
Non-Operating Revenues (Expenses)					
FAA Grants	-	527,315	459,096	986,411	-
Non-Operating Grant Expenditures	-	(562,268)	(237,842)	(800,110)	-
Gain (Loss) on Sale of Capital Assets	9,354	-	-	9,354	-
Interest Earned	30,751	-	29,052	59,803	-
Interest Expense	<u>-</u>	<u>-</u>	<u>(87,413)</u>	<u>(87,413)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>40,105</u>	<u>(34,953)</u>	<u>162,893</u>	<u>168,045</u>	<u>-</u>
Change in Net Assets	(142,014)	(66,905)	(391,221)	(600,140)	53,302
Net Assets, Beginning, as Restated	<u>3,076,393</u>	<u>3,081,388</u>	<u>15,439,023</u>	<u>21,606,804</u>	<u>183,300</u>
Net Assets, Ending	<u>\$ 2,934,379</u>	<u>\$ 3,024,483</u>	<u>\$ 15,047,802</u>	<u>\$ 21,006,664</u>	<u>\$ 236,602</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, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Garage
Cash Flows from Operating Activities:					
Cash Received from Customers and Users	\$ 3,134,903	\$ 563,017	\$ 1,798,148	\$ 5,494,068	\$ 4,551,184
Cash Paid to Employees	(1,746,451)	(108,484)	(918,407)	(2,773,342)	(47,199)
Cash Paid to Suppliers	<u>(861,953)</u>	<u>(304,136)</u>	<u>(462,174)</u>	<u>(1,628,263)</u>	<u>(4,491,501)</u>
	526,499	150,397	415,565	1,082,461	12,484
Cash Flows from Capital and Related Financing Activities:					
FAA Grants	-	527,315	459,096	986,411	-
SCAC Grants	-	-	-	-	-
Non-Operating Grant Expenditures	-	(562,268)	(237,842)	(800,110)	-
Transfers Out	-	-	(35,918)	(35,918)	-
Proceeds from Sale of Capital Assets	15,002	-	-	15,002	-
Purchase of Capital Assets	(320,557)	(115,444)	(503,418)	(939,419)	-
Principal Payment on Debt	-	-	(39,122)	(39,122)	-
Interest Paid on Debt	-	-	<u>(87,413)</u>	<u>(87,413)</u>	-
	<u>(305,555)</u>	<u>(150,397)</u>	<u>(444,617)</u>	<u>(900,569)</u>	-
Cash Flows from Investing Activities:					
Interest Earned	<u>30,751</u>	-	<u>29,052</u>	<u>59,803</u>	-
Net Increase in Cash and Cash Equivalents	251,695	-	-	251,695	12,484
Cash and Cash Equivalents, July 1, 2008	<u>1,390,763</u>	<u>372</u>	<u>200</u>	<u>1,391,335</u>	<u>2,169</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 1,642,458</u>	<u>\$ 372</u>	<u>\$ 200</u>	<u>\$ 1,643,030</u>	<u>\$ 14,653</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, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Garage
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (182,119)	\$ (31,952)	\$ (554,114)	\$ (768,185)	\$ 53,302
Adjustments to Reconcile:					
Depreciation	284,944	57,302	620,815	963,061	25,376
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	289,070	32,912	186,389	488,371	91,978
(Increase) Decrease in Inventories	(55,945)	(1,192)	-	(57,137)	88,923
(Increase) Decrease in Other Current Assets	(209)	(184)	(462)	(855)	-
Increase (Decrease) in Accounts Payable	41,340	90,455	136,834	268,629	(249,267)
Increase (Decrease) in Accrued Payroll	28,098	503	5,997	32,598	91
Increase (Decrease) in Accrued Compensated Absences	25,572	331	6,783	32,686	(141)
Increase (Decrease) in Net Other Postemployment Benefits Obligation	97,748	2,222	33,323	133,293	2,222
	423,674	125,047	346,864	897,585	(68,194)
Net Cash Flow from Operating Activities	\$ 526,499	\$ 150,397	\$ 415,665	\$ 1,092,461	\$ 12,484

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2009

ASSETS

Cash and Equity in Pooled Cash and Investments	\$ 91,078,517
Total Assets	<u>91,078,517</u>

LIABILITIES

Due to Agency	<u>91,078,517</u>
Total Liabilities	<u>91,078,517</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, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

	<u>Governmental</u>	<u>Business-Type</u>
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	<u>11,950,511</u>	<u>-</u>
	<u>\$ 82,426,443</u>	<u>\$ 23,074,168</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 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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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	695,127	-	1,070,246	
Accounts Receivable - Other	<u>1,411,696</u>	<u>-</u>	<u>768,800</u>	
	<u>\$ 4,395,065</u>	<u>\$ 211,562</u>	<u>\$ 1,864,994</u>	
				Internal Service Fund Garage
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	
Property Tax Receivable	\$ -	\$ -	\$ -	\$ -
Licenses and Fees Receivable	82,042	35,160	312,639	221,481
Accounts Receivable - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 82,042</u>	<u>\$ 35,160</u>	<u>\$ 312,639</u>	<u>\$ 221,481</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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
	<u>\$ 1,827,292</u>	<u>\$ 28</u>	<u>\$ 6,818,262</u>	<u>\$ 893,164</u>

In November 2005, 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:

<u>Fiscal Year Ending</u>	<u>Amount</u>
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	<u>241,714</u>
Total minimum note payments	1,990,377
Less Amount Representing Interest	<u>(606,091)</u>
Present value of minimum note payments	1,384,286
Less current portion	<u>(47,143)</u>
Long-term portion	<u>\$ 1,337,143</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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	<u>91,044,875</u>	<u>40,781,809</u>	<u>8,097,459</u>	<u>123,729,225</u>
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	5,896,982	2,940,429	-	8,838,411
Accumulated Depreciation -				
Equipment	27,883,047	4,342,456	1,431,406	30,794,097
Total Accumulated Depreciation	<u>77,107,305</u>	<u>12,407,855</u>	<u>1,431,406</u>	<u>88,083,754</u>
Other Capital Assets, Net	<u>167,601,722</u>	<u>(3,633,154)</u>	<u>173,640</u>	<u>163,794,928</u>
Governmental Activities Capital Assets, Net \$	<u>258,646,597</u>	<u>\$ 37,148,655</u>	<u>\$ 8,271,099</u>	<u>\$ 287,524,153</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, 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	<u>1,840,301</u>
Total	<u>\$12,407,855</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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	<u>53,159</u>	<u>618,861</u>	<u>-</u>	<u>672,020</u>
Total Capital Assets not Being Depreciated	<u>13,855,584</u>	<u>618,861</u>	<u>-</u>	<u>14,474,445</u>
Other Capital Assets:				
Buildings & Improvements	11,509,121	-	-	11,509,121
Equipment	<u>4,155,329</u>	<u>320,557</u>	<u>125,346</u>	<u>4,350,540</u>
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	<u>2,134,578</u>	<u>502,696</u>	<u>119,699</u>	<u>2,517,575</u>
Total Accumulated Depreciation	<u>6,416,576</u>	<u>963,061</u>	<u>119,699</u>	<u>7,259,938</u>
Other Capital Assets, Net	<u>9,247,874</u>	<u>(642,504)</u>	<u>5,647</u>	<u>8,599,723</u>
Business-Type Activities Capital Assets, Net	<u>\$ 23,103,458</u>	<u>\$ (23,643)</u>	<u>\$ 5,647</u>	<u>\$ 23,074,168</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, 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	<u>620,815</u>
Total	<u>\$ 963,061</u>

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	<u>178,390</u>	<u>-</u>
	<u>\$ 268,813,390</u>	<u>\$ 1,723,652</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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 Buckwater Parkway extension.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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 2008, 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:

<u>Description</u>	<u>Rates and Dates</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding at June 30, 2009</u>
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% - 6.0% 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	17,265,000
2009 County Bonds	2.5% - 3.0% 3/1 and 9/1	2012	5,000,000	5,000,000
			<u>\$206,630,000</u>	<u>\$159,305,000</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations – Continued:

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

<u>Fiscal Year Ending</u>	<u>2001 County Bonds</u>	<u>2002 County Bonds</u>	<u>2003 County Bonds</u>	<u>2005 County Bonds</u>
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

<u>Fiscal Year Ending</u>	<u>2006 County Bonds</u>	<u>2006B County Bonds</u>	<u>2007 County Bonds</u>	<u>2007B County Bonds</u>
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	<u>2,820,000</u>	<u>5,734,125</u>	<u>7,467,251</u>	-

Total 23,221,064 42,293,625 38,281,717 22,493,300

Less Amount

Representing Interest 7,071,064 13,393,625 13,208,717 5,238,300

Net \$ 16,150,000 \$ 28,900,000 \$ 25,075,000 \$ 17,255,000

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations -- Continued:

<u>Fiscal Year Ending</u>	<u>2009 County Bonds</u>	<u>Total</u>
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	-	<u>19,145,126</u>
Total	5,362,125	227,132,365
Less Amount Representing Interest	<u>362,125</u>	<u>67,827,365</u>
Net	<u>\$5,000,000</u>	<u>\$159,305,000</u>

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:

<u>Fiscal Year Ending</u>	<u>Amount</u>
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	<u>17,850,000</u>
Total	\$ <u>159,305,000</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, 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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations – Continued:

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>
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	10,658,275	28,318,750
2020-2024	18,324,100	11,463,750	29,787,850
2025-2028	<u>11,233,000</u>	<u>4,153,250</u>	<u>15,386,250</u>
Total	62,193,063	34,279,850	96,472,913
Less Amount Representing Interest	<u>22,953,063</u>	<u>12,944,850</u>	<u>35,897,913</u>
Net	<u>\$39,240,000</u>	<u>\$21,335,000</u>	<u>\$60,575,000</u>

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations - Continued:

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

<u>Fiscal Year Ending</u>	<u>Loan Payable to General Fund</u>	<u>Principal</u>	<u>Interest</u>
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	76,378
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	<u>379,603</u>	<u>350,478</u>	<u>29,125</u>
Total	<u>\$ 2,910,300</u>	<u>\$ 1,723,652</u>	<u>\$ 1,186,648</u>

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.

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

6. 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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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	<u>32,954</u>
	<u>\$ 56,352,954</u>

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
\$ <u>2,764,085</u>	\$ <u>4,105,366</u>	\$ <u>3,761,016</u>	\$ <u>3,108,435</u>	\$ <u>155,422</u>

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
\$ <u>76,566</u>	\$ <u>160,649</u>	\$ <u>127,016</u>	\$ <u>109,952</u>	\$ <u>5,497</u>

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

<u>Recipient Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds	\$ 869,682
County Wide General Obligation Bonds	Nonmajor Special Revenue Funds	4,066,989
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	<u>142,000</u>
		<u>\$ 17,631,847</u>

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:

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

<u>Contribution Information:</u>	<u>SCRS</u>	<u>PORS</u>
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	9.39%	11.05%
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, 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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

10. Retirement Plans - Continued:

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 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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

	<u>SCRS</u>	<u>PORS</u>
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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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 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:

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

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:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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 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, 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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

APPENDIX B

FORM OF BOND COUNSEL OPINION

(Date of Delivery)

Beaufort County, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C
\$ _____

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$_____ General Obligation Refunding Bonds, Series 2010C dated _____, 2010 (the "Bonds"). 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 Bonds 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 Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.
3. Interest on the Bonds 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 Bonds 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 Bonds to be included in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
4. Under the laws of the State of South Carolina, the Bonds 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 Bonds.

This opinion is not intended or provided by Bond Counsel to be used and cannot be used by an owner of the Bonds for the purpose of avoiding penalties that may be imposed on the owner of such Bonds. This opinion is provided to support the promotion or marketing of the Bonds. Each owner of should seek advice based on its particular circumstances from an independent tax advisor.

The rights of the owners of the Bonds and the enforceability of the Bonds 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 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds 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 _____, 2010, 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 Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"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.

"Annual Report" means an Annual Report described in and consistent with Section 3 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 MSRB 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 Finance Director, 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.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Repository” means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

“Trustee” means the institution identified as such or identified as Registrar/Paying Agent 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 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 the MSRB not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010. 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 the MSRB 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 the MSRB 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 the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) determine the address of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB together with a completed copy of the 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 MSRB, 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: "THE BONDS—Security;" "DEBT STRUCTURE—Outstanding Indebtedness;" and "CERTAIN FISCAL MATTERS—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. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

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 the Securities and Exchange Commission or available on the MSRB Internet Website. 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.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

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 MSRB in accordance with Section 2(e)(iv) hereof.

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 MSRB, 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 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 shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

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 Florida (other than with respect to conflicts of laws), except that the capacity of the Issuer to enter into this Disclosure Agreement and its enforceability against the Issuer shall be governed by and construed in accordance with the laws of the State of South Carolina.

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.

[Signature page follows]

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: _____
Title: _____

EXHIBIT A
NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	Beaufort County, South Carolina
Obligated Person(s)	Beaufort County, South Carolina
Name of Bond Issue:	General Obligation Refunding Bonds, Series 2010C, \$ _____
Date of Issuance:	_____, 2010
Date of Official Statement	_____, 2010
CUSIP Numbers:	_____

EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: Beaufort County, South Carolina
Obligor: Beaufort County, South Carolina
Name of Bond Issue: General Obligation Refunding Bonds, Series 2010C, \$ _____
Date of Issuance: _____, 2010

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 _____, 2010, 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 will be sent to the MSRB, 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 Event 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) _____

_____ Failure to provide annual financial information as required

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

\$7,745,000*

BEAUFORT COUNTY, SOUTH CAROLINA GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C

Bid Date: November 4, 2010, 11:00 a.m.

Time and Place of Sale: NOTICE IS HEREBY GIVEN that sealed bids, facsimile bids and electronic bids will be received on behalf of Beaufort County, South Carolina (the "County") at the offices of the County Administrator, 100 Ribaut Road, Room 156, Beaufort, South Carolina, until 11:00 a.m., South Carolina time, on Thursday, November 4, 2010, at which time said proposals will be publicly opened for the purchase of \$7,745,000* General Obligation Refunding Bonds, Series 2010C, of the County (the "Bonds").

Sealed Bids: Each hand delivered proposal shall be enclosed in a sealed envelope marked "Proposal for \$7,745,000 General Obligation Refunding Bonds, Series 2010C, Beaufort County, South Carolina" and should be directed to the Chief Financial Officer at the address in the first paragraph hereof.

Facsimile Bids: The County will accept the facsimile transmission of a manually signed Official Bid Form at the risk of the Bidder. The County shall not be responsible for the confidentiality of bids submitted by facsimile transmission. Any delay in receipt of a facsimile bid, and any incompleteness or illegible portions of such bid are the responsibility of the bidder. Bids by facsimile should be transmitted to the attention of David Starkey, Chief Financial Officer, facsimile number (843) 255-9422.

Electronic Bids: 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.

PROPOSALS MAY BE DELIVERED BY HAND, BY MAIL, BY FACSIMILE TRANSMISSION OR BY ELECTRONIC BID, BUT NO PROPOSAL SHALL BE CONSIDERED WHICH IS NOT ACTUALLY RECEIVED BY THE COUNTY AT THE PLACE, DATE AND TIME APPOINTED, AND THE COUNTY SHALL NOT BE RESPONSIBLE FOR ANY FAILURE, MISDIRECTION, DELAY OR ERROR RESULTING FROM THE SELECTION BY ANY BIDDER OF ANY PARTICULAR MEANS OF DELIVERY OF BIDS.

Book-Entry-Only Bonds: The Bonds will be issued in fully-registered form. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such Bond will be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

*Preliminary; subject to change.

Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, until the Bonds mature, commencing February 1, 2011. The Bonds will be dated their date of delivery, and will mature serially in successive annual installments on February 1 in each of the years and in the principal amounts as shown below:

<u>Year</u>	<u>Principal Amount*</u>
2014	\$ 720,000
2015	740,000
2016	775,000
2017	810,000
2018	850,000
2019	890,000
2020	935,000
2021	985,000
2022	1,040,000

*Preliminary, subject to adjustment.

Adjustment of Maturity Schedule. The schedule of maturities set forth above (the “Maturity Schedule”) represents an estimate of the principal amounts and maturities of the bonds which will be sold. If, after final computation of the bids, the County determines that the maturities of the Bonds should be adjusted in order to maintain structured debt service on all of its outstanding bonds, the County reserves the right either to increase or decrease the principal amount of any maturity of the Bonds and to decrease or increase the par amount of the Bonds (all calculations to be rounded to the near \$5,000), provided that any such decrease or increase in par amount shall not exceed 10% of the par amount. If increased, the par amount of the Bonds shall not exceed the total amount of Bonds authorized to be issued.

In the event of any such adjustment of the Maturity Schedule for the Bonds as described herein, no rebidding or recalculation of the bids submitted will be required or permitted. Nevertheless, the award of the Bonds will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

Redemption Provisions: The Bonds will not be subject to redemption prior to their stated maturities.

Registrar/Paying Agent: Within twenty-four (24) hours after receipt of bids, the County Administrator or his designee will designate the registrar and paying agent (the “Registrar/Paying Agent”) for the Bonds. The Registrar/Paying Agent shall be a bank, trust company, depository or transfer agent located either within or without the State of South Carolina.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the Bonds are to bear, to be expressed in multiples of 1/20 or 1/8 of 1% and the interest rate specified for any maturity shall not be lower than the interest rate specified for any previous maturity. Bidders are not limited as to the number of rates of interest named, but the rate of interest on each separate maturity must be the same single rate for all Bonds of that maturity from their date to such maturity date. A bid for less than all the Bonds or a bid at a price less than par will not be considered. In addition to the bid price, the

successful bidder must pay accrued interest from the date of the Bonds to the date of full payment of the purchase price.

Award of Bid. The Bonds will be awarded to the bidder or bidders offering to purchase the Bonds at the lowest true interest cost (TIC) to the County. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount all debt service payments on the Bonds (computed at the interest rates specified in the bid and on the basis of a 360-day year of twelve 30-day months) to the dated date of the Bonds, results in an amount equal to the price bid for the Bonds. In the case of a tie bid, the winning bid will be awarded by lot. The County reserves the right to reject any and all bids or to waive irregularities in any bid. Bids will be accepted or rejected no later than 3:00 p.m., South Carolina time, on the date of the sale.

Good Faith Deposit: By 12:00 p.m., Eastern Standard Time, on November 5, 2010, 2% of the par amount of the Bonds (\$154,900) shall be wired to the County as a good faith deposit in the manner specified by the County on the date of sale. The deposit of the successful bidder will be held pending the delivery of the Bonds and applied to the purchase price of the Bonds or retained as liquidated damages should the bidder fail to comply with the terms of the bid. Interest will not be paid on any good faith deposit.

Official Statement: Upon the award of the Bonds, the County will prepare an official statement (the "Official Statement") in substantially the same form as the preliminary official statement subject to minor additions, deletions and revisions as required to complete the Official Statement. Within seven (7) business days after the award of the Bonds, the County will deliver the Official Statement to the successful bidder in sufficient quantity to comply with Rule G-32 of the Municipal Securities Rulemaking Board. The successful bidder agrees to supply to the County all necessary pricing information and any Underwriter identification necessary to complete the Official Statement within 24 hours after the award of the Bonds.

Security: The Bonds will constitute binding general obligations of the County and the full faith, credit and taxing power of the County are irrevocably pledged for the payment of the Bonds. There shall be levied and collected annually in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

Continuing Disclosure: In order to assist the bidders in complying with S.E.C. Rule 15c2-12(b)(5), the County will undertake, pursuant to an ordinance and a Disclosure Dissemination Agent Agreement, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The County shall furnish upon delivery of the Bonds the final approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, which opinion shall accompany each Bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Bonds.

Certificate as to Issue Price: The successful bidder must provide a certificate to the County by the date of delivery of the Bonds, stating the initial reoffering price of the Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of the Bonds were sold to the public, in form satisfactory to Bond Counsel. A sample copy of such a certificate may be obtained from Bond Counsel.

Financial Advisor. Ross, Sinclair & Associates, LLC has acted as Financial Advisor to the County in connection with the issuance of the Bonds. 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 County 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 competitive bidding process.

Delivery: The Bonds will be delivered on or about November 18, 2010, through DTC in New York, New York, at the expense of the County. The balance of the purchase price then due (including the amount of accrued interest) must be paid in federal funds or other immediately available funds.

Additional Information: The Preliminary Official Statement of the County with respect to the Bonds is available via the internet at <http://www.rsamuni.com> and will be furnished to any person interested in bidding for the Bonds 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. The Preliminary Official Statement shall be reviewed by bidders prior to submitting a bid. Bidders may not rely on this Notice of Sale as to the complete information concerning the Bonds. Persons seeking information should communicate with the County's Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P.A., Post Office Box 11390, Columbia, South Carolina, 29211, telephone (803) 799-9800, e-mail: fheizer@mcnair.net or with the County's Financial Advisor, Brian G. Nurick, Ross, Sinclair & Associates, LLC, 1219 Assembly Street, Columbia, South Carolina 29201, telephone (800) 255-0795, e-mail: bnurick@rsamuni.com.

BEAUFORT COUNTY, SOUTH CAROLINA
s/Chair, County Council

PROPOSAL FOR PURCHASE OF BONDS

November 4, 2010

**\$7,745,000* Beaufort County, South Carolina
General Obligation Refunding Bonds, Series 2010C**

County Council
Beaufort County, South Carolina

Bids transmitted by fax: (843) 255-9422

For your legally-issued, properly-executed \$7,745,000* General Obligation Refunding Bonds, Series 2010C, of Beaufort County, South Carolina (the "Bonds") as more fully described in your official Notice of Sale, which is hereby incorporated herein and made a part of this proposal, we offer to purchase all but not less than all of the Bonds at the interest rates per annum set forth in this Proposal for Purchase of the Bonds and accrued interest from the date of the Bonds to the date of delivery, plus a cash premium of \$_____.

The Bonds will bear interest at the following rates:

(February 1) <u>Year</u>	Principal <u>Amount*</u>	Interest <u>Rate</u>	<u>Year</u>	Principal <u>Amount*</u>	Interest <u>Rate</u>
2014	\$720,000	_____	2019	\$ 890,000	_____
2015	740,000	_____	2020	935,000	_____
2016	775,000	_____	2021	985,000	_____
2017	810,000	_____	2022	1,040,000	_____
2018	850,000	_____			

*Preliminary, subject to adjustment as described in the Official Notice of Sale.

The undersigned hereby acknowledges receipt of and the opportunity to examine the Preliminary Official Statement accompanying the Notice of Sale.

The following is for information only and is not to be considered a part of this proposal:

Total amount of interest
from date of Bonds to final maturity \$ _____

True Interest Cost _____ %

Respectfully submitted,

By: _____

Phone Number: _____
(Required)

ACCEPTANCE CLAUSE

The foregoing proposal accepted this 4th day of November, 2010.

Chief Financial Officer

REPORT OF CHIEF FINANCIAL OFFICER
AS DESIGNEE TO THE COUNTY ADMINISTRATOR
BEAUFORT COUNTY, SOUTH CAROLINA

TO: BEAUFORT COUNTY COUNCIL

On November 4, 2010, in accordance with Ordinance No. 2010/14 enacted by the County Council of Beaufort County, South Carolina (the "County") on September 13, 2010,, I received six (6) bids for the purchase of the \$8,125,000 General Obligation Refunding Bonds, Series 2010C (the "Bonds") of the County as follows:

<u>Name of Bidder</u>	<u>True Interest Cost</u>
Hutchinson, Shockey, Erley & Co.	2.313197% with a premium of \$540,658.80
J. P. Morgan Securities, Inc.	2.372330% with a bid premium of \$1,239,387.50
Wells Fargo Bank, National Association	2.378497% with a bid premium of \$659,842.15
Robert W. Baird & Co., Inc.	2.427264% with a bid premium of \$311,813.50
Southwest Securities, Inc.	2.479886% with a bid premium of \$616,835.30
Citigroup Global Markets, Inc.	2.656792% with a bid premium of \$69,620.85

After canvassing each of the bids, it was determined that the bid submitted by Hutchinson, Shockey, Erley & Co. was most advantageous to the County and should be accepted. Accordingly, on behalf of the County, I accepted the bid of Hutchinson, Shockey, Erley & Co. for the purchase of the Bonds and named Wells Fargo Bank, N.A., as Registrar/Paying Agent for the Bonds.

Respectfully submitted,



Chief Financial Officer, Beaufort County, South Carolina

November 18, 2010

STATE OF SOUTH CAROLINA)
)
 COUNTY OF BEAUFORT) NOTICE TO LEVY AND COLLECT

TO: Sharon Burris, Auditor, Beaufort County, South Carolina
 Joy Logan, Treasurer, Beaufort County, South Carolina

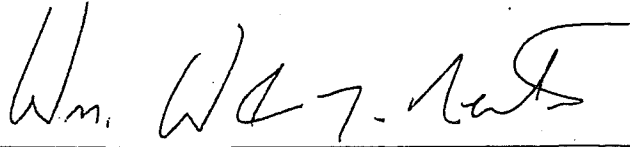
YOU ARE HEREBY NOTIFIED THAT BEAUFORT COUNTY, SOUTH CAROLINA (the "County"), will, pursuant to and in accordance with the American Recovery and Reinvestment Act of 2009 and the Constitution and laws of the State of South Carolina, including Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 4, Chapter 15, Code of Laws of South Carolina 1976, as amended; Title 11, Chapters 15, 21 and 27, Code of Laws of South Carolina 1976, as amended; and Ordinance No. 2010/14 duly enacted by the County Council of the County on September 13, 2010 (the "Ordinance"), deliver general obligation bonds in fully-registered form in the aggregate principal amount of Eight Million One Hundred Twenty-five Thousand Dollars (\$8,125,000) dated November 18, 2010, designated "\$8,125,000 General Obligation Refunding Bonds, Series 2010C, of Beaufort County, South Carolina" (the "Bonds"), in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year, bearing interest from their date semiannually on February 1 and August 1 of each year, commencing February 1, 2011, at the rates per annum set forth below, and maturing serially in successive annual installments on February 1 in each of the years and in the principal amounts as follows:

<u>February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$ 805,000	2.00%
2015	825,000	2.00
2016	840,000	2.00
2017	860,000	3.00
2018	895,000	3.00
2019	925,000	3.00
2020	950,000	4.00
2021	990,000	4.00
2022	1,035,000	4.00

The Bonds are payable, both principal and interest, at the principal office of Wells Fargo Bank, N.A., in Atlanta, Georgia.

AND YOU ARE FURTHER NOTIFIED to levy and collect annually upon all taxable property of the County an ad valorem tax, without limitation as to rate or amount, sufficient to pay the principal and interest of the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt payment thereof. The taxes when so levied and collected will be held by the Treasurer of Beaufort County separate and distinct from all other funds and used solely for the purposes for which the same are levied and collected.

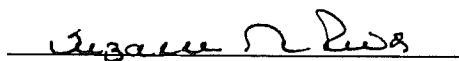
In witness whereof, we have hereunto set our respective hands and the official seal of the County, this 18th day of November, 2010.



Chairman, County Council of Beaufort County,
South Carolina

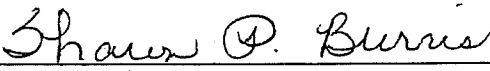
(SEAL)

ATTEST:

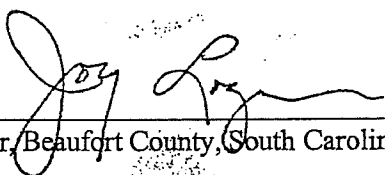

Clerk to County Council of
Beaufort County, South Carolina

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

We, the undersigned, Auditor and Treasurer of Beaufort County, South Carolina, respectively, hereby acknowledge service of the foregoing Notice, this 18th day of November, 2010, and will so place the same in our respective offices so that our successors in office may have due notice hereof.



Auditor, Beaufort County, South Carolina




Treasurer, Beaufort County, South Carolina

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:
November 18, 2010, General Obligation Refunding Bonds, Series 2010C, 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

- X (k) Other – Specify Refunding existing debt
6. Original Principal to be Borrowed: \$8,125,000
7. Interest Rate:
If more than one rate, give average effective rate 2.2926726% (TIC)
8. Schedule of Principal Amounts Due and Rates for the above indebtedness (Use Schedule of Principal): See attached schedule
9. Schedule of Principal and Interest Due for the above indebtedness (Use Schedule of Principal and Interest): N/A

Dated: November 17, 2010


Chief Financial Officer, Beaufort County, South Carolina

RECEIVED this 18th day of November, 2010.


for State Treasurer of the State of South Carolina

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
02/01/2011	-	-	50,451.11	50,451.11
08/01/2011	-	-	124,400.00	124,400.00
02/01/2012	-	-	124,400.00	124,400.00
08/01/2012	-	-	124,400.00	124,400.00
02/01/2013	-	-	124,400.00	124,400.00
08/01/2013	-	-	124,400.00	124,400.00
02/01/2014	805,000.00	2.000%	124,400.00	929,400.00
08/01/2014	-	-	116,350.00	116,350.00
02/01/2015	825,000.00	2.000%	116,350.00	941,350.00
08/01/2015	-	-	108,100.00	108,100.00
02/01/2016	840,000.00	2.000%	108,100.00	948,100.00
08/01/2016	-	-	99,700.00	99,700.00
02/01/2017	860,000.00	3.000%	99,700.00	959,700.00
08/01/2017	-	-	86,800.00	86,800.00
02/01/2018	895,000.00	3.000%	86,800.00	981,800.00
08/01/2018	-	-	73,375.00	73,375.00
02/01/2019	925,000.00	3.000%	73,375.00	998,375.00
08/01/2019	-	-	59,500.00	59,500.00
02/01/2020	950,000.00	4.000%	59,500.00	1,009,500.00
08/01/2020	-	-	40,500.00	40,500.00
02/01/2021	990,000.00	4.000%	40,500.00	1,030,500.00
08/01/2021	-	-	20,700.00	20,700.00
02/01/2022	1,035,000.00	4.000%	20,700.00	1,055,700.00
Total	\$8,125,000.00	-	\$2,006,901.11	\$10,131,901.11



RATINGS:
Moody's Investors Service: Aa1
Standard & Poor's: AA+
(See "RATINGS" herein)

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds (i) will be excludable from gross income for federal income tax purposes, (ii) will not be an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporation; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporation; and (iii) will be exempt from all State of South Carolina, county, municipal, and all other taxes and assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except estate or other transfer taxes, provided that the interest thereon may be includable for certain franchise fees or taxes. For a more complete discussion of federal tax consequences to recipients of interest on the Bonds, see "TAX EXEMPTION AND OTHER TAX MATTERS" herein.

\$8,125,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C BEAUFORT COUNTY, SOUTH CAROLINA

The \$8,125,000 General Obligation Refunding Bonds (the "Bonds") 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 BONDS - Security" herein.

The Bonds are issuable in fully registered form and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Bonds will be made. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the principal amounts of \$5,000 or any whole multiple thereof. So long as Cede & Co. as nominee of DTC is the registered owner of the Bonds, references herein to the holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds are payable to Cede & Co. as nominee for DTC, which will in turn remit such principal and interest to the Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System." Wells Fargo Bank, N.A., Atlanta, Georgia will serve as Registrar/Paying Agent for the Bonds.

The Bonds will be dated their date of delivery, and will mature serially on February 1 in each of the years and in the principal amounts and bear interest at the rates shown on the inside front cover page. Interest on the Bonds is first payable on February 1, 2011, and semiannually thereafter on each February 1 and August 1. The Bonds will not be subject to redemption prior to their stated maturities.

The Bonds 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 Bonds in definitive form will be available for delivery on or about November 18, 2010.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

HUTCHINSON, SHOCKEY, ERLEY & CO.

Dated: November 4, 2010.

MATURITY SCHEDULE

(February 1) <u>Year</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>No.</u>
2014	\$ 805,000	2.00%	0.94%	074347VC6
2015	825,000	2.00	1.10	074347VD4
2016	840,000	2.00	1.40	074347VE2
2017	860,000	3.00	1.71	074347VF9
2018	895,000	3.00	2.00	074347VG7
2019	925,000	3.00	2.25	074347VH5
2020	950,000	4.00	2.50	074347VJ1
2021	990,000	4.00	2.74	074347VK8
2022	1,035,000	4.00	2.88	074347VL6

**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, Sinclair & Associates, LLC

Columbia, South Carolina

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APPENDIX A - Financial Statements of the County for the Fiscal Year Ended June 30, 2009

APPENDIX B - Form of Legal Opinion

APPENDIX C - Form of Continuing Disclosure Undertaking

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 the \$8,125,000 General Obligation Refunding Bonds, Series 2010C (the "Bonds") 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 Bonds, 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 BONDS

Description

The Bonds will be general obligation bonds of the County; will be issuable initially in fully registered book-entry-only form in denominations of \$5,000 each or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; will be numbered from R-1 upward; and when issued will be registered to Cede & Co., as nominee for DTC. The Bonds will be dated their date of delivery (which is expected to be November 18, 2010); will bear interest from their date at the rates shown on the inside front cover hereof payable initially on February 1, 2011, and semiannually thereafter on February 1 and August 1 of each year until they mature; and will mature on February 1 in each of the years and in the principal amount shown on the inside front cover hereof.

Redemption Provisions

The Bonds will not be subject to redemption prior to their stated maturities.

Book-Entry-Only System

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial owners of the Bonds ("Beneficial Owners") will not receive physical Bonds certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the Holders of the Bonds 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 Bonds 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 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE BONDS TO DTC PARTICIPANTS (AS DEFINED HEREIN) OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS 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, New York, New York ("DTC"), or its successor, will act as securities depository for the Bonds. The Bonds will be issued initially as fully-registered Bonds 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 Bond certificate will be issued for each maturity of the Bonds 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 securities certificates. 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 ("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 and www.dtc.org.

Beneficial Owners. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each 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 beneficial ownership interests in the Bonds 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 Bonds, unless the use of the book-entry only system for the Bonds is discontinued.

Transfers and Exchanges. To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Ordinances. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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, if any, will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Consents and Voting. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds 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 and voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest Payments. Principal, redemption premiums, if any, and interest payments on the Bonds 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 (nor its nominee), 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 Beneficial Owners shall be the responsibility of 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 services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE HOLDER OF THE BONDS, THE COUNTY SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES, INCLUDING RECEIPT OF ALL PRINCIPAL AND PREMIUM OF AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE COUNTY. THE COUNTY, THE REGISTRAR AND THE PAYING AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE

RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

Discontinuance of Book-Entry-Only System. In the event that the Bonds are no longer in book-entry-only form, the certificates held by DTC or a successor securities depository will be cancelled and the County will execute and deliver the Bonds in fully registered form to the Beneficial Owners of the Bonds as shown on the records of the DTC Participants or the nominee of a successor securities depository. If no other securities depository is named, interest on the Bonds shall be payable to the Registered Owners on each interest payment date and principal of the Bonds at maturity upon presentation and surrender thereof to the Paying Agent at its corporate trust office. The Bonds would be transferable on the registration books of the County maintained by the Registrar by the registered owner in person or by his duly authorized attorney upon surrender of the Bond to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amounts as the Bond so presented. The County and the Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

Purposes

The Bonds are being issued to provide funds (i) to refund certain maturities of the County's original principal amount \$25,100,000 General Obligation Bonds, Series 2002, dated March 1, 2002 (the "Bonds to be Refunded"); (ii) to pay costs and expenses of the issuance of the Bonds, and (iii) such other lawful purposes as the County Council shall determine.

Security

For the payment of the principal and interest on the Bonds 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 Bonds 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 years for which information is available and the County's projection for 2010:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2005	\$5,546,441
2006	5,697,599
2007	6,267,441
2008	6,970,132
2009	6,647,008
2010*	5,549,391
2011**	5,800,000

*Unaudited

**Projected

Authorization

The Bonds will be issued pursuant to and in accordance with the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), and the statutes of the State, including Title 11, Chapters 15 and 21 of the Code of Laws of South Carolina, 1976, as amended; an ordinance enacted September 13, 2010 (the "Ordinance") authorizing the issuance and sale of general obligation refunding bonds of the County to refund the Bonds to be Refunded (hereinafter defined).

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 seek 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 Bonds was enacted on September 13, 2010, and publication of its enactment was published in *The Island Packet* and *The Beaufort Gazette*, newspapers of general circulation in the County, on September 16, 2010. No notice of intention to seek a referendum within the 20-day period was filed.

Defeasance

If all the Bonds shall have been paid and discharged, then the obligations of the County under the Ordinance and all other rights granted thereby, shall cease and determine. Bonds shall be deemed to have been paid and discharged under any of the following circumstances:

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

(ii) If default in the payment of the principal of Bonds or the interest thereon shall have occurred, and thereafter tender of payment shall have been made, and a bank or other financial institution shall hold, in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of payment; or

(iii) Payment of the principal of and interest on Bonds either (1) shall have been made or caused to be made in accordance with the terms thereof; or (2) shall have been provided for by irrevocably depositing with a bank or other financial institution in trust and irrevocably set aside exclusively for such payment, (a) moneys sufficient to make such payment, or (b) 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 such bank or other financial institution. At such time as such Bonds shall no longer be deemed to be outstanding under the Ordinance, such Bonds shall cease to draw interest from the due date thereof and, except for 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 its authorizing ordinance.

“Government Obligations” means any of the following:

(a) 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 Elliott Davis, 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, 2010, the County employed 1,193 full-time equivalent employees, consisting of:

<u>Department</u>	<u>Full Time</u>
General Government	281
Public Safety	490
Public Works	130
Public Health	24
Public Welfare	121
Culture and Recreation	93
Enterprise Funds	<u>54</u>
Total	1,193

Services Provided

The County provides various local services which are funded primarily from the County's *ad valorem* tax levy. 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 and Retirement

Substantially all full-time, permanent employees of the County 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). Contribution rates are actuarially established. Employees covered by SCRS or PORS contribute 6.5% of their gross salary. The County contributes 9.39% of the total gross salaries of employees covered by SCRS and 11.05% of the total gross salaries of employees covered by PORS. The County's contributions to 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 contributions to 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.

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 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 high schools, four special schools, 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 2009)	\$1,954,918,784
	x 8%
Constitutional Debt Limit	\$ 156,393,503
Outstanding Debt Subject to Limit	\$ 83,480,000
Legal Debt Limit Without a Referendum	\$ 72,913,503

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>
2006	\$100,645,000
2007	141,670,000
2008	177,515,000
2009	159,305,000
2010	201,355,000

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 <u>Issue</u>	Interest <u>Rates</u>	Maturity <u>Dates</u>	Amount <u>Outstanding</u>
04/15/2001	4.500%	02/01/2011	\$ 1,530,000
03/01/2002	4.000%-4.875%	02/01/2011-22	11,505,000
06/15/2003 ¹	2.875%-5.000%	02/01/2011-23	19,900,000
10/15/2004 ²	3.000%-5.000%	02/01/2011-25	29,150,000
11/02/2006	3.625%-8.000%	03/01/2011-26	15,600,000
11/30/2006 ³	4.000%-5.000%	03/01/2011-26	28,200,000
10/03/2007 ³	4.000%-5.000%	03/01/2011-27	24,675,000
11/07/2007 ⁴	4.000%-5.000%	02/01/2011-20	17,215,000
03/10/2009	2.500%-3.000%	03/01/2011-12	4,825,000
03/10/2010 ⁵	2.000%-5.000%	03/01/2011-20	24,205,000
03/10/2010 ⁶	4.700%-5.625%	03/01/2021-29	24,550,000
Total			\$201,355,000

¹ \$4,900,000 is included in 8% debt limit

² \$9,150,000 is included in 8% debt limit

³ Debt approved by referendum

⁴ \$7,215,000 is included in 8% debt limit

⁵ \$11,155,000 is included in 8% debt limit

⁶ \$17,600,000 is included in 8% debt limit

Other Financial Obligations

The County leases certain office space and machinery and equipment under cancellable 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, 2010, were approximately \$751,000.

Composite Debt Service

The following table sets forth the debt service requirements for the County's outstanding bonds and the Bonds..

<u>Fiscal Year Ending June 30</u>	<u>Principal and Interest on Outstanding Bonds</u>	<u>Principal and Interest on Bonds</u>	<u>Total Debt Service</u>
2011	17,313,759	\$ 50,451	\$ 17,553,570
2012	17,679,910	248,800	17,928,710
2013	16,058,679	248,800	17,042,479
2014	16,557,586	1,053,800	17,614,229
2015	17,070,991	1,057,700	18,130,004
2016	17,576,154	1,056,200	18,636,129
2017	17,863,760	1,059,400	18,929,079
2018	17,860,954	1,068,600	18,932,279
2019	17,860,992	1,071,750	18,933,329
2020	17,856,754	1,069,000	18,927,979
2021	17,554,191	1,071,000	18,629,979
2022	18,496,378	1,076,400	18,434,884
2023	18,096,050	---	18,096,050
2024	17,521,375	---	17,521,375
2025	15,352,063	---	15,352,063
2026	7,441,193	---	7,441,193
2027	3,261,536	---	3,261,536
2028	2,487,921	---	2,487,921
2029	<u>2,519,156</u>	<u>--</u>	<u>2,519,156</u>
Total:	\$276,240,040	\$10,131,901	\$286,371,941

General Obligation Debt on a Per-Capita Basis

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

<u>Year Ended June 30</u>	<u>General Obligation Indebtedness</u>	<u>County Debt Per Capita¹</u>	<u>County Debt as % of Assessed Value</u>
2006	\$100,645,000	\$ 713	6.60%
2007	141,670,000	979	8.88
2008	177,515,000	1,057	9.38
2009	159,305,000	1,030	8.63
2010	201,355,000	1,238	9.83

¹ Based on U.S. Census Bureau estimates of population.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009 for years 2006-2009; county officials for 2010.

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.

Legal Debt Limit of Counties, 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.

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Overlapping Debt

The following table sets forth the total amount of general obligation indebtedness in each political subdivision and special purpose district which overlaps the County, either in whole or in part which was outstanding as of August 2, 2010.

<u>Political Subdivision</u>	<u>Assessed Value</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to County</u>
Beaufort County School District	\$1,954,918,784	\$339,200,000	100%
<u>Municipalities</u>			
City of Beaufort	79,796,016	14,450,000	100
Town of Bluffton	135,147,878	6,520,000	100
Town of Hilton Head	993,359,523	67,120,000	100
Town of Port Royal	27,549,206	636,972	100
<u>Special Purpose Districts</u>			
Broad Creek PSD	162,121,043	6,370,000	100
Fripp Island PSD	54,360,960	none	100
Hilton Head #1 PSD	255,120,910	8,476,338	100
<u>Fire Districts</u>			
Bluffton Fire District	472,487,344	280,000 ⁽¹⁾	100
Burton Fire District	73,919,524	none	100
Lady's Island/St. Helena Island Fire District	143,234,464	12,243	100
Sheldon Fire District	32,280,433	none	100

⁽¹⁾ Issued by Beaufort County for Bluffton Fire District, but not includable against 8% limit.
Source: County officials; South Carolina Municipal Council.

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 notes) 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;⁽¹⁾
- (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 -- 6.75%, decreasing to 6.0% in 2007; and
- (9) All other personal property -- 10.5% of fair market value.

⁽¹⁾ 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 completed a reassessment in Fiscal Year 2008 which was implemented in Fiscal Year 2009. The next reassessment is scheduled for Fiscal Year 2013 to be implemented in Fiscal Year 2014. 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 preceding 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 \$1,121,351 in the 2009-10 Fiscal Year and projects that it will receive \$1,100,000 in the 2010-11 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 \$50,000,000, 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>Market</u>	<u>Assessed</u>	<u>Market</u>	<u>Assessed</u>	<u>Market</u>
2005 ¹	\$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	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
2008	1,552,685,296	31,843,075,060	237,470,686	2,708,277,500	1,790,155,982	34,551,352,560
2009	1,720,365,297	45,978,771,345	234,553,487	2,691,291,572	1,954,918,784	48,670,062,917

¹ Implementation of reassessment. The adjustments resulting from appeals of the 2004 reassessed values are reflected in the 2005 and 2006 values.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009 except for tax years 2008 and 2009, Beaufort County Auditor

Estimated True Value of All Taxable Property in the County

The estimated true value of all taxable property in the County for Tax Year 2009 is \$48,670,062,917.

<u>Classification of Property</u>	<u>Tax Year 2009 Assessed Value</u>	<u>Tax Year 2009 Estimated True Value</u>
1. Real Property (non-manufacturing) and Mobile Homes	\$1,720,365,297	\$45,978,771,345
2. Motor Vehicles	86,712,837	1,247,277,812
3. Public Utilities	43,629,790	422,723,324
4. Manufacturing Property (Real and Personal)	6,978,330	70,061,043
5. Marine Equipment/Boats	8,710,210	90,155,895
6. Business Personal Property	49,424,640	477,912,371
7. Aircraft	1,895,210	21,650,376
8. Other Personal Property	<u>37,202,470</u>	<u>361,510,751</u>
TOTAL	\$1,954,918,784	\$48,670,062,917

Note: These figures do 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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operations	33.7	36.7	38.9	45.5	40.21
Debt Service	5.4	5.4	5.8	4.0	4.57
Solid Waste/Recycling	4.5	---	---	---	---
Real Property Program	<u>1.5</u>	<u>2.5</u>	<u>2.7</u>	<u>2.4</u>	<u>2.76</u>
Total	45.1	44.6	47.4	51.9	47.54

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009 for 2006-2009; County officials for 2010.

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 2, 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>
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	63,986,885	90.7	3,594,507	95.8
2008	76,299,793	73,731,373	96.6	1,567,241	98.7
2009	91,507,440	82,472,648	90.1	---	90.1

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009

Ten Largest Taxpayers

The ten largest taxpayers in the County, the assessed value of each, and the amount and the percentage of 2009 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 Ownership Resorts	\$20,437,160	\$ 3,731,408.90	4.1%
South Carolina Electric & Gas	16,266,710	3,351,877.06	3.7
Palmetto Electric Cooperative	9,899,950	1,861,415.60	2.0
Columbia Properties Hilton Head	4,540,040	881,867.08	1.0
SCG Hilton Head Property	4,620,000	870,359.52	1.0
Bluffton Telephone Company	3,444,860	630,603.39	0.7
Sea Pines Resort LLC	3,765,920	588,568.59	0.6
Greenwood Development Corp	2,957,720	576,957.66	0.6
Hargray Telephone Company	2,858,580	495,017.27	0.5
Hargray, Inc.	<u>1,648,370</u>	<u>366,020.57</u>	<u>0.4</u>
Total	\$70,439,310	\$13,354,095.64	14.6%

Source: County officials.

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 are as follows:

<u>Fiscal Year</u>	<u>Collections</u>
2006	\$1,179,920
2007	1,213,910
2008	1,320,934
2009	1,224,452
2010	1,238,427
2011*	1,100,000

*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.

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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, 2005 through June 30, 2009.

	2005	2006	2007	2008	2009
Revenues					
Property Taxes	\$ 47,419,184	\$ 49,557,808	\$ 55,872,654	\$ 60,474,820	\$ 74,049,850
Licenses and Permits	3,393,994	4,635,798	4,879,471	3,894,583	2,787,597
Intergovernmental	6,073,748	6,402,451	7,813,256	8,649,634	9,064,132
Charges for Services	12,179,930	13,256,653	11,643,392	10,568,767	10,181,054
Fines and Forfeitures	882,229	872,216	1,150,081	1,029,600	1,063,709
Interest	64,028	966,561	1,336,688	1,015,196	1,033,426
Miscellaneous	311,610	418,423	1,561,330	565,823	1,091,778
Total Revenues	\$ 70,324,723	\$ 76,109,910	\$ 84,256,872	\$ 86,198,423	\$ 99,271,546
Expenditures					
General Government	\$ 15,616,654	\$ 17,145,467	\$ 18,956,722	\$ 20,963,806	\$ 21,049,036
Public Safety	29,301,879	31,551,018	35,583,070	38,617,353	40,265,774
Public Works	7,897,503	8,159,421	15,434,287	15,946,656	15,392,335
Public Health	2,172,343	2,490,990	2,731,723	2,975,284	5,151,909
Public Welfare	717,165	729,436	867,699	931,321	932,425
Cultural and Recreation	6,702,500	7,302,362	7,938,119	8,658,731	13,354,314
Total Expenditures	\$ 62,408,044	\$ 67,378,694	\$ 81,511,620	\$ 88,093,151	\$ 96,145,793
Excess Revenues Over (Under) Expenditures	\$ 7,916,679	\$ 8,731,216	\$ 2,745,252	\$ (1,894,728)	\$ 3,125,753
Other Financing Sources (Uses)					
Transfers In	\$ 62,458	\$ 1,219,512	\$ 455,547	\$ 2,251,087	\$ 869,682
Transfers Out ¹	(1,334,387)	(1,378,585)	(1,848,341)	(2,241,888)	(2,812,282)
Total Other Financing Sources (Uses)	\$ (1,271,929)	\$ (159,073)	\$ (1,392,794)	\$ 9,199	\$ (1,942,600)
Net Change in Fund Balance Prior Period Adjustment	6,644,750	8,572,143	1,352,458	(1,885,529)	1,183,153
	---	---	(77,431)	---	---
Fund Balance Beginning of Year	\$ 5,150,600	\$ 11,795,350	\$ 20,367,493	\$ 21,642,520	\$ 19,756,991
Fund Balance End of Year	\$ 11,795,350	\$ 20,367,493	\$ 21,642,520	\$ 19,756,991	\$ 20,940,144

Source: Audited financial statements provided by the County.

¹ General operating funds that are transferred to special funds thereby restricting their uses.

Financial Statements

The financial statements of the County for years ended June 30, 2005, 2006, 2007, 2008, and 2009 have been audited by Elliott Davis, LLC. A portion of the audited financial statements of the County for the year ended June 30, 2009, is attached to this Preliminary Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2009, 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 2010-2011 Fiscal Year

The following is a summary of the General Fund Budget of the County for the fiscal year ending June 30, 2011.

	<u>FY 2011 Budget</u>
<u>Revenues</u>	
Property Taxes	\$ 79,985,015
Licenses and Permits	2,501,000
Intergovernmental	7,686,826
Charges for Services	10,637,150
Fines and Forfeitures	1,035,650
Interest	190,000
Miscellaneous	2,156,395
Total Revenues	104,192,036
<u>Expenditures</u>	
General Government	29,331,921
Public Safety	43,535,722
Public Works	16,106,893
Public Health	5,195,179
Public Welfare	938,259
Cultural and Recreation	9,084,062
Total Expenditures	\$ 104,192,036

ECONOMIC AND DEMOGRAPHIC INFORMATION

Location and History

The County is located in the southern coastal area of South Carolina known as the “Lowcountry.” 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 has a land area of 587 square miles. The County is one of the fastest growing in South Carolina. The County seat is the City of Beaufort. 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, recreation, retirement and associated services, and the military. Beaufort County received more than \$1.0 billion in domestic travel expenditures in 2008, the latest year for which county-level figures are available from the South Carolina Department of Parks, Recreation, and Tourism. In 2008, expenditures by tourists generated 12,800 jobs, \$206.8 million in payroll, and \$34.1 million in local tax receipts within the County. Hilton Head Island, Fripp Island and Hunting Island are all located in the County. 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. 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. Additional developments in the southern part of the County include Spring Island, Callawassie Island, Colleton River Plantation, Belfair and Westbury Park. 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.

In January 2010, Plumm Design, a manufacturer specializing in customized metal designs such as countertops, facades, range-hoods and hand-painted, decorative tin panels, announced that it will locate its new operations in a 26,000-square-foot facility in Beaufort County’s Industrial District. The \$3.2 million investment is expected to generate 50 new jobs over its first five years.

CareCore National, LLC constructed a new headquarters 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. In 2009, Beaufort City Council signed a resolution supporting the Department of Defense's proposal to locate up to 11 joint strike fighter jets at the Air Station beginning in 2013.

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.

Tourism

In 2008, tourists spent approximately \$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 2008, tourism was responsible for \$206.8 million in payroll, 12,800 jobs, and \$34.1 in local tax receipts 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. More than 10% of the total amount spent by tourists in all of South Carolina's 46 counties was spent in Beaufort County.

Capital Investment

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

<u>Year</u>	<u>New Investment</u>	<u>New Employment</u>
2006	\$14,000,000	370
2007	---	---
2008	5,115,000	125
2009	5,969,000	50

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

The totals in the previous table include the following companies and projects in which the South Carolina Department of Commerce played a major role.

<u>Year</u>	<u>Company</u>	<u>Industry</u>	<u>Project Type</u>	<u>Investment</u>	<u>Jobs</u>
2006	CareCore National, LLC	Service	Expansion	\$6,500,000	300
2006	Grayco	Manufacturing	New	7,500,000	70
2008	CareCore National, LLC	Service	Expansion	4,400,000	125
2009	<i>confidential</i>	Distribution	Expansion	2,769,000	0
2009	Plumm Design	Manufacturing	New	3,200,000	50

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>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Beaufort County School District	Education	3,400	20.3%
Beaufort Memorial Hospital	Healthcare	1,750	10.5
Beaufort County	Government	1,164	7.0
Marine Corps Recruit Depot (civilians only)	Military	882	5.3
Marine Corps Air Station (civilians only)	Military	700	4.2
Hilton Head Medical Center	Healthcare	600	3.6
Wal-Mart Stores	Retail	520	3.1
Hilton Head Marriott Golf and Beach Resort	Hotel/Tourism	520	3.1
The Westin Resort	Hotel/Tourism	450	2.7
Crowne Plaza Resort	Hotel/Tourism	430	2.6

Source: Beaufort County Comprehensive Annual Financial Report for the year ended June 30, 2009.

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>
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
2009	859	163,420,324

Source: County Building Inspector, Town of Port Royal, Town of Hilton Head Island and City of Beaufort

Retail Sales

The following table shows the level of gross retail sales for businesses located in the County:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Total</u> <u>Retail Sales</u>
2005	\$3,646,847,632
2006	3,908,542,814
2007	3,973,795,733
2008	3,713,434,874
2009	3,360,545,855

Source: South Carolina Department of Revenue

Unemployment

The average unemployment rates 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>U.S.</u>
2005	4.9%	6.7%	5.1%
2006	4.7	6.4	4.6
2007	4.3	5.9	4.6
2008	5.3	6.9	5.8
2009	8.8	11.7	9.3

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

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>
August 2009	8.9%
September 2009	8.7
October 2009	9.0
November 2009	9.1
December 2009	9.0
January 2010	9.7
February 2010	9.5
March 2010	8.8
April 2010	7.2
May 2010	7.6
June 2010	8.1
July 2010	8.7(p)

(p) Preliminary.

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

Labor Force

The composition of the nonagricultural civilian labor force working in the County (regardless of place of residence), for the last five years for which information is available, is as follows:

<u>Sector</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Manufacturing	1,207	1,165	1,233	1,171	1,153
Construction & Mining	8,493	8,579	8,974	8,366	7,409
Transportation and Public Utilities	1,396	1,553	1,581	1,437	1,289
Wholesale and Retail Trade	11,119	11,659	11,887	12,290	12,101
Information	942	921	1,018	1,048	1,039
Finance, Insurance, and Real Estate	8,730	9,983	11,331	12,451	13,258
Services (including Agricultural Services)	38,325	38,867	40,130	42,529	42,559
Government	<u>20,162</u>	<u>20,200</u>	<u>20,241</u>	<u>20,729</u>	<u>20,937</u>
TOTAL	90,716	93,273	96,772	100,423	100,185

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:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force	61,381	62,903	63,898	63,794	64,805
Employment	58,372	59,932	61,142	60,382	59,101
Unemployment	3,009	2,971	2,756	3,412	5,704

Source: South Carolina Employment Security Commission, Labor Market Information

Population Growth

The following table shows population information for the County for the last four decades for which census figures are available, along with figures for the State and the United States for comparison.

	<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	8%	3,121,820	21%	226,545,805	11%
1990	86,425	32	3,486,703	12	248,709,873	10
2000	122,068	40	4,012,012	15	281,421,960	13
2009*	155,215	27	4,561,242	14	307,006,550	9

*Estimate.

Source: U.S. Census Bureau

The following table shows the 2000 Census population and the estimated 2009 population of all incorporated municipalities located within the County:

<u>Municipality</u>	<u>2000 Census</u>	<u>2009 Estimate</u>
Town of Hilton Head Island	33,862	34,249
City of Beaufort	12,950	12,120
Town of Port Royal	3,950*	11,421*
Town of Bluffton	1,275*	12,519*

*A portion of this growth is due to annexation.

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

Median Age and Education Levels

In 2000, the County ranked second in the State for college-educated population, with 33.2% of its population 25 years or older holding a bachelor's degree or equivalent. The following table illustrates the changes in the median age of the County and the percentage of the population 25 years old and older with a bachelor's degree or higher from Census 2000 to the latest estimate available from the U.S. Census Bureau. Median age and education statistics for the State and the United States are included for comparison purposes.

	<u>Median Age (in years)</u>			<u>Percentage over 25 with bachelor's degree</u>		
	<u>County</u>	<u>South Carolina</u>	<u>United States</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2000	35.8	35.4	35.3	33.2%	20.4%	24.4%
2008*	38.1	37.3	36.7	36.9	23.2	27.4

*latest estimate available.

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

Per Capita Personal Income

Beaufort County's per capita income has remained above state and national levels from 1996 to 2008. The County ranked first in the State in per capita personal income in 2008, 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>County¹</u>	<u>State²</u>	<u>United States</u>
2004	\$37,474	\$27,903	\$33,881
2005	39,840	29,223	35,424
2006	43,183	30,927	37,698
2007	45,427	31,925	39,392
2008	46,790	32,495	40,166
2009	N/A	31,799	39,138

Source: ¹U.S. Census Bureau; ²U.S. Bureau of Economic Analysis

Median Family Income

The County had a median family income of \$65,900 for Fiscal Year 2009. This income level ranks the County as the second highest in the State. The table below shows the median family income for a family of four in 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>
2005	\$62,150	\$52,400	\$58,000
2006	63,000	52,900	59,600
2007	61,100	50,800	59,000
2008	61,500	52,900	61,500
2009	65,900	59,663	64,000

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

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.

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 Fall 2009 headcount enrollment of 1,684 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 Fall 2009 headcount enrollment of 2,565 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 master's degrees in other subject areas.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2010, there were 65 branches of commercial banks and 11 branches of savings institutions in the County, with total deposits of \$3.58 billion at all financial institutions. 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 Bonds 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 Bonds. The proposed form of Bond Counsel's opinion appears as Appendix C 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 Bonds, including, among other things, permitted uses and investment of the proceeds of the Bonds 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 Bonds becoming subject to federal income taxation retroactive to the date of issuance of the Bonds. The County has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the Bonds from gross income for federal tax purposes. Failure of the County to comply with the covenant could cause the interest on the Bonds to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the Bonds 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. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

South Carolina Taxation

The interest on the Bonds is 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 Department of Revenue 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 Bonds will be included in such computation.

Premium Bonds

The Bonds have been sold at public offering prices which are greater than the amount payable at maturity ("Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchase of Premium Bonds must authorize any premium over such Bonds' term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of

premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

LEGAL MATTERS

Bond Counsel Opinion

The issuance of the Bonds is subject to the favorable opinion of McNair Law Firm, P.A., Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of South Carolina. The proposed form of Bond Counsel's opinion appears as Appendix C to this Official Statement.

The 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 said firm 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 Bonds, 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, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the levy and collection of taxes to pay the Bonds; or questioning the proceedings or authority pursuant to which the Bonds are issued and taxes levied; or questioning or relating to the validity of the Bonds, 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 Bonds.

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 "Aa1" and "AA+," respectively, to the Bonds. 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 Bonds. 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 Bonds.

UNDERWRITING

The Bonds have been purchased at a competitive sale from the County for resale by Hutchinson, Shockey, Erley & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at par plus a bid premium of \$557,373.50. The initial public offering prices of the Bonds as shown on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may also allow a concession from the public offering prices to certain dealers. If all of the Bonds are sold at the public offering yields as set forth on the inside front cover of this Official Statement, the Underwriter anticipates a total selling compensation of \$38,587.30. The Underwriter has received no fee from the County for underwriting the Bonds.

FINANCIAL ADVISOR

Ross, Sinclair & Associates, LLC has acted as Financial Advisor to the School District in connection with the issuance of the Bonds. In this capacity, Ross, Sinclair & Associates, LLC provided technical assistance in the preparation of the offering documents and assisted the School District 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 competitive bidding process.

CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Administrator of the County will deliver to the purchaser of the Bonds 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 Bonds, 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 Bonds.

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 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 ("Rule 15c2-12"), the County has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Bonds 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; 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.

The delivery of this Official Statement and its use in connection with the sale of the Bonds 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, 2009**

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009. 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, 2009 by \$221,965,693 (net assets). Of this amount \$81,701,712 (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 \$35,403,100 during the fiscal year ended June 30, 2009 with a \$36,003,240 increase resulting from governmental activities and a \$600,140 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 \$193,420,336, an increase of \$37,804,928 in comparison with the prior year. Approximately 28 percent, \$53,255,589 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 \$18,771,412, or approximately 19 percent of the general fund expenditures and transfers.
- Beaufort County's net capital assets increased by \$28,848,266 during the current fiscal year. The increase in governmental activities net capital assets of \$28,877,556 was mostly the result of sales tax road project additions to construction in progress, purchases of property through the Real Property Purchase Program, purchases relating to emergency management communications enhancements and radios, several other road project additions throughout the County, purchases relating to the County's voice-over IP system, and construction of the Buckwalter Park Recreation Center.

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, 2009

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, the County wide general obligation bonds fund, the 2009 bond anticipation notes fund, the New River TIF bonds fund, the sales tax projects fund, the real property program fund, and the 2006 bond projects 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, three 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 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 stormwater utility, Lady's Island Airport, and the Hilton Head Island Airport, all of which are considered to be major funds of the County.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally for the County. The County uses internal service funds to account for its garage.

**BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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 68 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 81 through 203.

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 \$221,965,693 as of June 30, 2009.

Of this amount, \$105,500,611 (approximately 47 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, \$34,763,370 (approximately 16 percent), represents resources that are restricted to the repayment of the County's bonded indebtedness. The remaining balance of unrestricted net assets, \$81,701,712 (approximately 37 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, 2009

Beaufort County's Net Assets
June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total		Percent
	2009	2008	2009	2008	2009	2008	Change
Current and Other Assets	\$ 212,379,713	\$ 171,068,490	\$ (1,202,117)	\$ 2,478,164	\$ 211,177,596	\$ 173,546,654	21.7%
Capital Assets	<u>287,524,153</u>	<u>258,646,597</u>	<u>23,074,168</u>	<u>23,103,458</u>	<u>310,598,321</u>	<u>281,750,055</u>	10.2%
Total Assets	<u>\$ 499,903,866</u>	<u>\$ 429,715,087</u>	<u>\$ 21,872,051</u>	<u>\$ 25,581,622</u>	<u>\$ 521,775,917</u>	<u>\$ 455,296,709</u>	14.6%
Long-Term Liabilities	\$ 221,352,900	\$ 240,017,202	\$ 374,809	\$ 1,937,979	\$ 221,727,709	\$ 241,955,181	(8.4%)
Other Liabilities	<u>77,591,937</u>	<u>24,742,096</u>	<u>490,578</u>	<u>2,036,839</u>	<u>78,082,515</u>	<u>26,778,935</u>	191.6%
Total Liabilities	<u>\$ 298,944,837</u>	<u>\$ 264,759,298</u>	<u>\$ 865,387</u>	<u>\$ 3,974,818</u>	<u>\$ 299,810,224</u>	<u>\$ 268,734,116</u>	11.6%
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	\$ 82,426,443	\$ 70,906,216	\$ 23,074,168	\$ 21,340,684	\$ 105,500,611	\$ 92,246,900	12.5%
Restricted for Debt Service	34,763,370	48,605,864	-	-	34,763,370	48,605,864	(28.5%)
Unrestricted (Deficit)	<u>83,769,216</u>	<u>45,443,709</u>	<u>(2,067,504)</u>	<u>266,120</u>	<u>81,701,712</u>	<u>45,709,829</u>	82.5%
	<u>\$ 200,959,029</u>	<u>\$ 164,955,789</u>	<u>\$ 21,006,664</u>	<u>\$ 21,606,804</u>	<u>\$ 221,965,693</u>	<u>\$ 186,562,593</u>	19.0%

The County's total net assets increased by \$35,403,100 during the 2009 fiscal year. Key elements of this increase are as follows:

- There was an increase in the County's governmental current and other assets of \$41.3 million, which increased mostly because of \$53.8 million in bond anticipation note and general obligation bond borrowings within the 2009 fiscal year. The borrowings led to an increase within the County's 2009 bond anticipation note fund of \$21.1 million, an increase of \$15.9 million within the County's real property program fund, and a \$1.4 million increase within the County's 2009 general obligation bond fund. Additionally, the County's sales tax project fund increased by \$15.4 million within the 2009 fiscal year due to continued strong 1% sales tax referendum collections. These increases were partially offset by a \$17.3 million bond refunding, which helped to decrease the County's general obligation bonds fund by \$17.4 million in fiscal year 2009 compared to fiscal year ended 2008.
- The County's governmental net capital assets increased by \$28.9 million. This increase occurred mostly from the County's \$16.3 million investment in infrastructure related to the 1% sales tax referendum road project, \$4.8 million in purchases of land and easements, \$4.0 million in upgraded radios for improved communications abilities in the event of emergencies, \$2.9 million in other road projects, \$2.6 million for the County's voice-over IP system, and \$2.1 million for the Buckwalter Park Recreation Center. See the capital assets and debt administration section below for more detail.
- The \$18.7 million decrease within the County's governmental long-term liabilities was mainly caused by the County's \$17.3 million bond refunding within the 2009 fiscal year. Additionally, the \$52.8 million increase within the County's governmental other liabilities was mostly caused by the \$48.8 million bond anticipation note borrowing within fiscal year 2009. See the capital assets and debt administration section starting on page 24 for more detail.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Beaufort County's Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Services	\$ 28,636,708	\$ 36,326,955	\$ 4,854,807	\$ 5,471,284	\$ 33,491,515	\$ 41,798,239
Operating Grants and Contributions	8,046,928	8,312,520	124,881	244,468	8,171,809	8,556,988
Capital Grants and Contributions	4,223,966	7,754,421	986,411	1,004,624	5,210,377	8,759,045
General Revenues:						
Property Taxes	92,725,922	81,399,195	-	-	92,725,922	81,399,195
Sales Taxes	30,440,867	25,531,506	-	-	30,440,867	25,531,506
Grants and Contributions	10,353,360	9,621,104	-	-	10,353,360	9,621,104
Unrestricted Investment Earnings	3,728,745	4,701,846	59,803	86,760	3,788,548	4,788,606
Miscellaneous	<u>2,758,685</u>	<u>9,342,533</u>	<u>9,354</u>	<u>-</u>	<u>2,768,039</u>	<u>9,342,533</u>
Total Revenues	<u>180,915,181</u>	<u>182,990,080</u>	<u>6,035,256</u>	<u>6,807,136</u>	<u>186,950,437</u>	<u>189,797,216</u>
<u>Program Expenses</u>						
Governmental Activities:						
General Government	33,883,983	32,345,161	-	-	33,883,983	32,345,161
Public Safety	49,090,928	45,505,447	-	-	49,090,928	45,505,447
Public Works	19,920,007	21,017,930	-	-	19,920,007	21,017,930
Public Health	12,227,572	9,545,159	-	-	12,227,572	9,545,159
Public Welfare	1,935,787	2,082,811	-	-	1,935,787	2,082,811
Cultural and Recreation	16,947,113	11,682,973	-	-	16,947,113	11,682,973
Interest	10,906,551	10,691,835	-	-	10,906,551	10,691,835
Business-Type Activities:						
Stormwater Utility	-	-	3,027,952	2,896,205	3,027,952	2,896,205
Lady's Island Airport	-	-	1,129,236	845,649	1,129,236	845,649
Hilton Head Airport	-	-	<u>2,478,208</u>	<u>2,675,379</u>	<u>2,478,208</u>	<u>2,675,379</u>
Total Expenses	<u>144,911,941</u>	<u>132,871,316</u>	<u>6,635,396</u>	<u>6,417,233</u>	<u>151,547,337</u>	<u>139,288,549</u>
Excess Revenues over Expenses	36,003,240	50,118,764	(600,140)	389,903	35,403,100	50,508,667
Transfers In / (Out)	<u>-</u>	<u>1,863,867</u>	<u>-</u>	<u>(1,863,867)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	36,003,240	51,982,631	(600,140)	(1,473,964)	35,403,100	50,508,667
Net Assets, Beginning	<u>164,955,789</u>	<u>112,973,158</u>	<u>21,606,804</u>	<u>23,080,768</u>	<u>186,562,593</u>	<u>136,053,926</u>
Net Assets, Ending	<u>\$ 200,958,929</u>	<u>\$ 164,955,789</u>	<u>\$ 21,006,664</u>	<u>\$ 21,606,804</u>	<u>\$ 221,965,593</u>	<u>\$ 186,562,593</u>

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

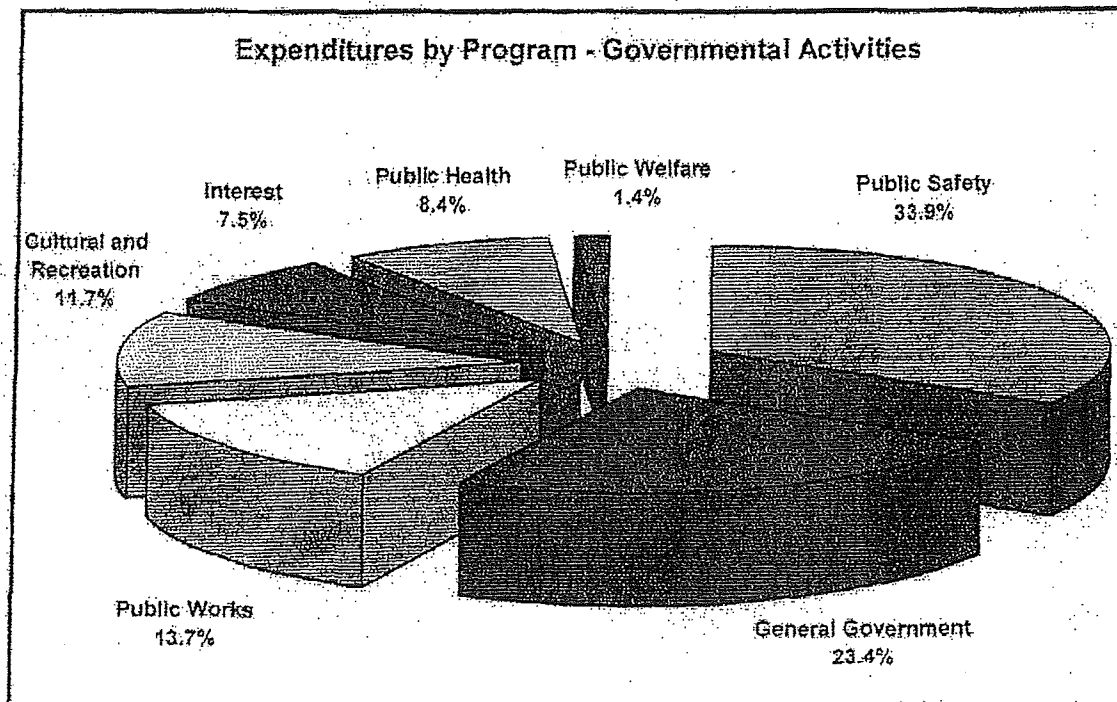
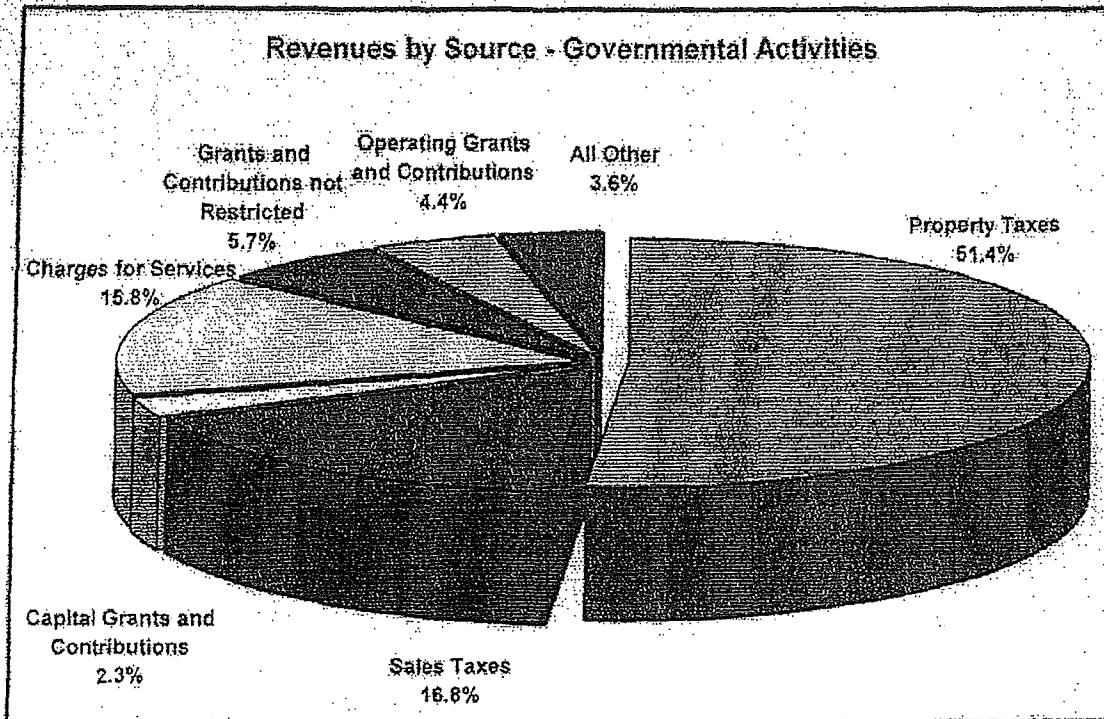
Governmental activities increased the County's net assets by \$36.0 million, thereby accounting for 102 percent of the total growth in the net assets of the County (net of the decrease in the County's business-type activities net assets). Additionally, it should be noted that the garage fund was classified as a business-type activity in the 2008 fiscal year and has been reclassified to an internal service fund and a general government expense within the governmental activities in the 2009 fiscal year. For comparative purposes, the garage's revenues and expenses have been reclassified to governmental activities within the 2008 balances. Key elements in fiscal year 2009's activity are as follows:

- In the 2009 fiscal year, property tax revenues increased by approximately \$11.3 million (or 13.9%) over the 2008 fiscal year. The 13.9% increase of property tax revenues in the 2009 fiscal year over the 2008 fiscal year is compared to an \$8.8 million or 12.1% increase in property tax revenues in the 2008 fiscal year over the 2007 fiscal year and compared to a \$3.9 million or 5.6% increase in property tax revenues in the 2007 fiscal year over the 2006 fiscal year. Increases in property taxes during the periods detailed above were due to larger amounts of delinquent taxes paid in subsequent fiscal years, increased millage rates, increasing property values, increasing development, and an increasing population.
- Also, the County's governmental sales taxes increased by \$4.9 million (or 19.2%) due to increased County's sales tax projects fund revenues collected in fiscal year 2009 as compared to fiscal year 2008.
- The increases in governmental property tax and sales tax revenues were offset by a \$7.7 million decrease in governmental charges for services, fueled mostly by declines in impact fees, due to the stagnant economy. In this, there was a \$3.8 million decline in road impact fees, a \$1.2 million decline in parks and leisure services impact fees, and a \$.5 million decrease in library impact fees in the 2009 fiscal year over the 2008 fiscal year. Additionally, miscellaneous revenues also decreased by \$6.5 million, which was attributable to the fact that the County received a one-time \$6.5 million litigation settlement from the builder of the County's administrative complex in fiscal year 2008.
- Also, the County's capital grants and contributions revenues decreased by \$3.5 million when comparing fiscal years 2009 and 2008, which was mostly the cause of a \$4.5 million decrease in the County's real property program Intergovernmental revenues. The decrease in revenues occurred due to less property purchased in the 2009 fiscal year as opposed to the 2008 fiscal year. Additionally, the \$4.5 million decrease in revenue was partially offset by a \$1.1 million increase in public safety grant fund revenues.
- Additionally, the County's cultural and recreation expenditures increased by \$5.3 million in the 2009 fiscal year, as compared to the 2008 fiscal year. This increase was mostly due to the \$4.7 million in cultural and recreation subsidies split evenly between the University of South Carolina Beaufort and the Technical College of the Lowcountry. In prior fiscal years, the County levied continuing education millage for contributions to these higher education entities. In the 2009 fiscal year, these levies were rolled up into the County operations millage and now the County contributes to these entities directly.
- Lastly, the County's public safety expenditures increased by \$3.6 million during the 2009 fiscal year as compared to the 2008 fiscal year. The increase resulted mostly from a \$1.5 million increase in sheriff's office personnel expenditures and a \$1.1 million increase in public safety grant monies spent in the 2009 fiscal year as compared to the 2008 fiscal year.

Business-type activities decreased the County's net assets by \$.6 million, thereby accounting for a negative 2 percent of the total growth in the net assets of the County. Key elements of this net increase are as follows:

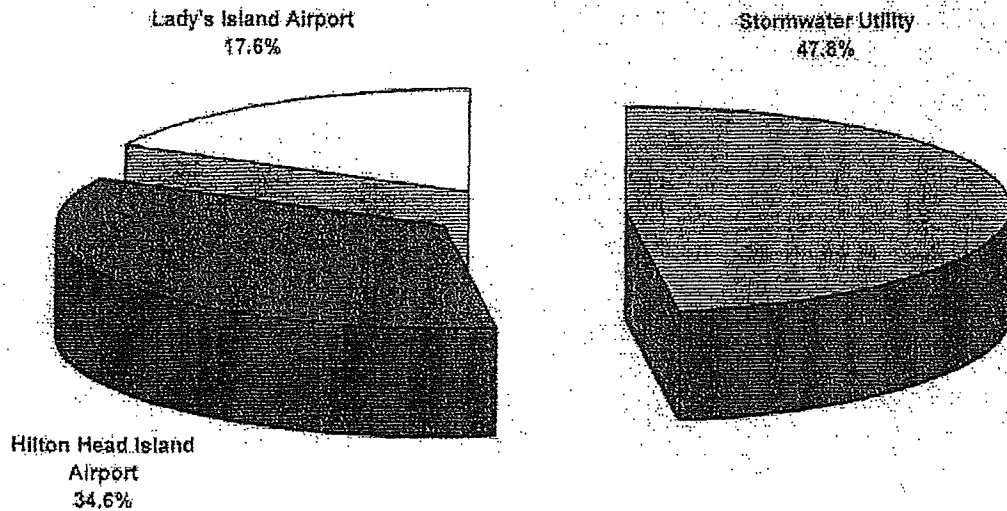
- FAA grant revenues for the Hilton Head Island Airport decreased by approximately \$405 thousand during the 2009 fiscal year compared to the 2008 fiscal year. Additionally, stormwater utility fees revenues decreased by approximately \$324 thousand during the 2009 fiscal year compared to the fiscal year ended June 30, 2008.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

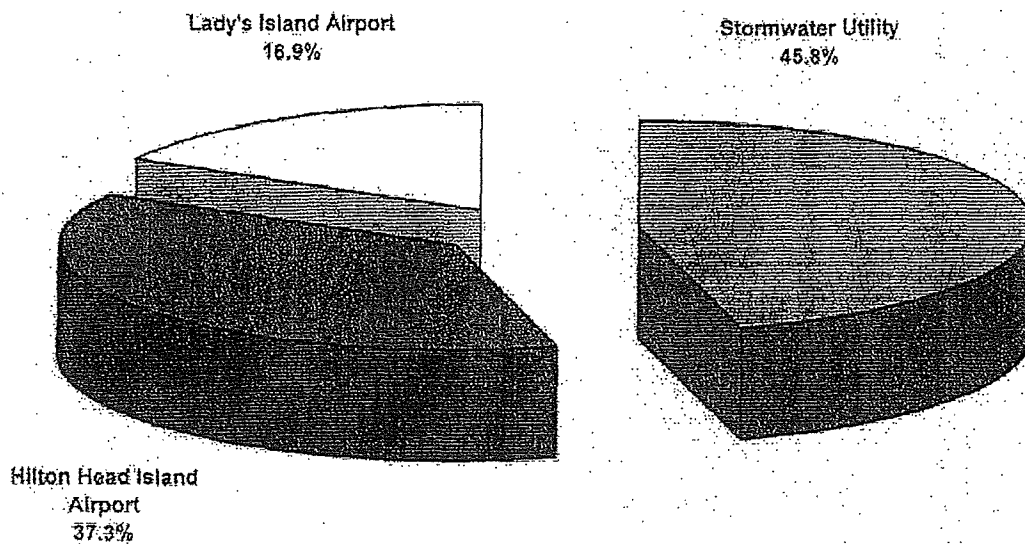


BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Revenues by Source - Business-Type Activities



Expenses by Source - Business-Type Activities



BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FINANCIAL ANALYSIS OF THE GOVERNMENTAL 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 \$193,420,336, an increase of \$37,804,928, in comparison with the prior year. Approximately 28 percent of this total fund balance (\$53,255,589) 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 (\$28,831,750), 2) to fund planned capital projects (\$74,845,975), 3) to pay debt service (\$34,763,370), and 4) advances to other funds (1,723,652).

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 \$18,771,412, while the total fund balance was \$20,940,144. 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 19% of total general fund expenditures and transfers, while total fund balance represents approximately 20% 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 \$4,361,432, all of which was reserved for debt service. The county wide general obligation bonds fund recognized revenues of \$7,565,908, total expenditures of \$29,380,048, and \$4,367,956 in other financing sources, for a net change in fund balance of (\$17,446,184). The county wide general obligation bonds fund balance experienced this significant negative net change mostly because of the partial refunding of the County's 2001 County Bonds, in which \$17,530,000 was borrowed in the 2008 fiscal year to make a bond payment of \$18,690,000 on the 2001 County Bonds in the 2009 fiscal year.

New River TIF Bonds Fund – At the end of the current fiscal year, the total fund balance of the new river TIF bonds fund was \$16,800,449, all of which was reserved for debt service. The new river TIF bonds fund recognized revenues of \$7,269,267 and total expenditures of \$2,289,459, for a net change in fund balance of \$4,979,808. The New River TIF fund balance has annually experienced a large amount of growth in the last several years, because the TIF has a small base value and has experienced significant amounts of assessed value growth during this period.

2009 Bond Anticipation Notes Fund – At the end of the current fiscal year, the total fund balance of the 2009 bond anticipation notes fund was \$17,259,309, all of which was reserved for capital projects. The 2009 bond anticipation notes fund recognized revenues of \$464,927, total expenditures of \$7,677,527, and \$28,349,707 in other financing sources, for a net change in fund balance of \$21,137,107. The bond proceeds were not realized by the County until March 2009, thus creating the significant \$21,137,107 net change in the 2009 bond anticipation notes fund balance from a (\$3,877,798) fund balance at June 30, 2008.

Sales Tax Projects Fund – At the end of the current fiscal year, the total fund balance of the sales tax projects fund was \$38,331,126, all of which was reserved for capital projects. The sales tax projects fund recognized revenues of \$30,944,249, total expenditures of \$16,332,042, and \$819,689 in other financing sources, for a net change in fund balance of \$15,431,896. The County has not completed a significant amount of its sales tax projects as of June 30, 2009, however sales tax revenues have remained at budgeted levels, causing the significant increase in fund balance during the 2009 fiscal year. The County plans to complete significant amounts of the sales tax projects over the next fiscal years.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Real Property Program Fund – At the end of the current fiscal year, the total fund balance of the real property program fund was \$19,011,102, all of which was reserved for capital projects. The real property program fund recognized revenues of \$674,922, total expenditures of \$4,794,005, and \$20,000,000 in other financing sources, for a net change in fund balance of \$15,880,917. The \$15,880,917 net increase in the County's real property program fund balance was mostly caused by the County's additional \$20,000,000 within this fund for land preservation.

2006 Bond Projects Fund – At the end of the current fiscal year, the total fund balance of the 2006 bond projects fund was \$11,950,511, all of which was reserved for capital projects. The 2006 bond projects fund recognized revenues of \$366,483, total expenditures of \$1,976,565, and \$3,377,510 in other financing sources, for a net change in fund balance of \$1,767,428. The main reason for this significant change in fund balance were \$3,415,778 in transfers into the 2006 bond projects fund related to a consolidation of bond monies for the St. Helena Library project and the DSN administration building project.

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.

As of the end of the current fiscal year, the County's proprietary funds reported combined ending net assets of \$21,006,664 an decrease of \$600,140 in comparison with the prior year.

Stormwater Utility – At the end of the current fiscal year, the net assets of the stormwater utility fund was \$2,934,379, of which \$1,462,519 was invested in capital assets, net of related debt, leaving a balance of \$1,471,860 in unrestricted net assets. The stormwater utility fund recognized operating revenues of \$2,845,833, total operating expenses of \$3,027,952, and \$40,105 in net non-operating revenues, for a change in net assets of (\$142,014). The decrease in net assets within the stormwater utility fund in the 2009 fiscal year was mostly the result of stormwater utility fees revenues decreasing by approximately \$324 thousand during the 2009 fiscal year compared to the fiscal year ended June 30, 2008.

Lady's Island Airport – At the end of the current fiscal year, the net assets of the Lady's Island Airport fund was \$3,024,483, of which \$3,457,522 was invested in capital assets, net of related debt, leaving a deficit balance of \$433,039 in unrestricted net assets. The Lady's Island Airport recognized operating revenues of \$535,016, total operating expenses of \$566,968, and \$34,953 in net non-operating expenses, for a change in net assets of (\$66,905). The decrease in net assets within the Lady's Island Airport fund in the 2009 fiscal year was mostly the result of non-operating expenses over revenues of approximately \$35 thousand, which was driven largely by free cutting expenditures not covered by FAA grants and a \$25 thousand decrease in fuel sales profit due to the declining economy.

Hilton Head Island Airport – At the end of the current fiscal year, the net assets of the Hilton Head Island Airport fund was \$15,047,802, of which \$16,430,475 was invested in capital assets, net of related debt, leaving a deficit balance of \$1,382,673 in unrestricted net assets. The Hilton Head Island Airport recognized operating revenues of \$1,598,839, total operating expenses of \$2,152,953, and \$162,893 in net non-operating revenues, for a change in net assets of (\$391,221). The decrease in net assets within the Hilton Head Island Airport fund in the 2009 fiscal year was mostly the result of FAA grant revenues decreasing by approximately \$405 thousand during the 2009 fiscal year compared to the 2008 fiscal year.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget to Final Budget Comparison for the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Variance with Original Budget Positive (Negative)
Revenues:			
Taxes	\$ 76,643,504	\$ 76,643,504	\$ -
Licenses and Permits	4,164,073	4,164,073	-
Intergovernmental	8,895,480	8,895,480	-
Charges for Services	11,718,496	11,718,496	-
Fines and Forfeitures	894,475	894,475	-
Interest	922,746	922,746	-
Miscellaneous	<u>456,600</u>	<u>456,600</u>	-
Total Revenues	103,695,374	103,695,374	-
Expenditures:			
General Government	23,175,720	23,307,182	(131,462)
Public Safety	41,264,839	41,035,968	228,871
Public Works	16,933,829	15,923,633	1,010,196
Public Health	5,280,148	5,156,111	124,037
Public Welfare	1,014,675	1,014,675	-
Culture and Recreation	<u>13,806,919</u>	<u>13,860,962</u>	<u>(54,043)</u>
Total Expenditures	101,476,130	100,298,531	1,177,599
Excess of Revenues Over (Under)			
Expenditures	2,219,244	3,396,843	1,177,599
Other Financing Sources (Uses)			
Transfers In	856,500	1,586,500	730,000
Transfers Out	<u>(3,075,744)</u>	<u>(3,716,980)</u>	<u>(641,236)</u>
Total Other Financing Sources (Uses)	(2,219,244)	(2,130,480)	88,764
Net Change in Fund Balance	-	1,266,363	1,266,363
Fund Balance at the Beginning of the Year	<u>19,756,991</u>	<u>19,756,991</u>	-
Fund Balance at the End of the Year	<u>\$ 19,756,991</u>	<u>\$ 21,023,354</u>	<u>\$ 1,266,363</u>

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The general fund original budget's net assets varied from its final budget's net assets by \$1,266,363. The key element of this net budget decrease is as follows:

- There was a decreasing \$1.0 million budget revision to the County's public works expenditures. The \$1.0 million decrease in the revised fiscal year 2009 budget as opposed to the original budget within the County's public works mostly related to waste hauling services coming in approximately \$1.5 million less than originally budgeted. As such the County revised its budget downward to accommodate these unanticipated savings as they were seen throughout the year.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Final Budget to Actual Comparison for the Fiscal Year Ended June 30, 2009

	Final		Variance
	Budget	Actual	with Final Budget
			Positive
			Negative
Revenues:			
Taxes	\$ 76,643,504	\$ 74,049,850	\$ (2,593,654)
Licenses and Permits	4,164,073	2,787,597	(1,376,476)
Intergovernmental	8,895,480	9,064,132	168,652
Charges for Services	11,718,496	10,181,054	(1,537,442)
Fines and Forfeitures	894,475	1,063,709	169,234
Interest	922,746	1,033,426	110,680
Miscellaneous	<u>456,600</u>	<u>1,091,778</u>	<u>635,178</u>
Total Revenues	103,695,374	99,271,546	(4,423,828)
Expenditures:			
General Government	23,307,182	21,049,036	2,258,146
Public Safety	41,035,968	40,265,774	770,194
Public Works	15,923,633	15,392,335	531,298
Public Health	5,156,111	5,151,909	4,202
Public Welfare	1,014,675	932,425	82,250
Culture and Recreation	<u>13,860,962</u>	<u>13,354,314</u>	<u>506,648</u>
Total Expenditures	100,298,531	96,145,793	4,152,738
Excess of Revenues Over (Under)			
Expenditures	3,396,843	3,125,753	(271,090)
Other Financing Sources (Uses)			
Transfers In	1,586,500	869,682	(716,818)
Transfers Out	<u>(3,716,980)</u>	<u>(2,812,282)</u>	<u>904,698</u>
Total Other Financing			
Sources (Uses)	(2,130,480)	(1,942,600)	187,880
Net Change in Fund Balance	1,266,363	1,183,153	(83,210)
Fund Balance at the			
Beginning of the Year	<u>19,756,991</u>	<u>19,756,991</u>	<u>-</u>
Fund Balance at the			
End of the Year	<u>\$ 21,023,354</u>	<u>\$ 20,940,144</u>	<u>\$ (83,210)</u>

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The actual net assets of the County's general fund varied from its final budget's net assets by (\$83,210). Key elements of this are as follows:

- The County's tax revenues were approximately \$2.6 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.
- Additionally, actual charges for services revenues were approximately \$1.5 million less than budgeted. This was caused mostly from a \$2.2 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. The budget shortfall within the register of deeds was partially offset by master in equity fees generating \$.6 million more in revenues than budgeted, which was the result of increasing foreclosure rates.
- The County's licenses and permits revenues were also approximately \$1.4 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 \$.6 million less than budgeted. These shortfalls in revenues were caused primarily by the declining economy, especially within new housing construction.
- To react to the decreasing revenues, the County decreased its expenditures by approximately \$4.2 million. These decreases came mostly within a \$2.3 million positive budget to actual variance within general government expenditures, a \$.7 million positive budget to actual variance within public safety expenditures, a \$.5 million positive budget to actual variance within public works expenditures, and a \$.5 million positive budget to actual variance within cultural and recreation expenditures.
 - The \$2.3 million positive variance within the County's general government expenditures from the final budget was mostly driven by the County not using approximately \$.5 million in contingency funds within the County Council budget, the Housing Coordinator not expending approximately \$.5 million in budgeted direct subsidies, voter registration personnel expenditures coming in \$.2 million less than budgeted, the magistrate's court and assessor's office personnel expenditures each coming in \$.1 million less than budgeted, and the planning department using \$.1 million less in professional services than budgeted.
 - The \$.7 million positive variance within the County's public safety expenditures from the final budget came mostly from personnel expenditures being a combined \$1.1 million less within the County's sheriff's office, communications/traffic management department, and emergency services department. This was partially offset by actual capital expenditures being approximately \$.3 million more than budget within the County's sheriff's office.
 - The \$.5 million positive variance within the County's public works expenditures from the final budget came mostly from personnel expenditures being a combined \$.5 million less than budgeted for the County's facilities maintenance, public works, engineering, and solid waste/recycling departments.
 - The \$.5 million positive variance within the County's cultural and recreation expenditures from the final budget came mostly from personnel expenditures being a combined \$.5 million less than budgeted for the County's parks and recreation department and the County's libraries.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009 was \$310,598,321 (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 10 percent (in which governmental activities capital assets increased by approximately 11 percent and business-type activities capital assets decreased by approximately 1 percent).

Beaufort County's Capital Assets
(Net of Depreciation)
June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and Easements	\$ 80,661,514	\$ 75,884,513	\$ 13,802,425	\$ 13,802,425	\$ 94,463,939	\$ 89,686,938
Construction in Progress	43,067,711	15,160,362	672,020	53,159	43,739,731	15,213,521
Buildings and Improvements	82,854,192	87,026,607	6,766,758	7,227,123	89,620,950	94,253,730
Infrastructure	65,235,335	65,844,924	-	-	65,235,335	65,844,924
Equipment	15,705,401	14,730,191	1,832,965	2,020,751	17,538,366	16,750,942
Total Capital Assets	<u>\$ 287,524,153</u>	<u>\$ 258,646,597</u>	<u>\$ 23,074,168</u>	<u>\$ 23,103,458</u>	<u>\$ 310,598,321</u>	<u>\$ 281,750,055</u>

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

- The County purchased approximately \$4.1 million in governmental activities land and easements for the County's rural and critical lands program.
- The County added approximately \$36.0 million of investments to construction in progress, which included \$16.3 million in sales tax fund projects, \$1.1 million in road improvements to Burnt Church Road, \$2.4 million for communications infrastructure improvements, \$2.1 million for the Buckwaller Park Recreation Center project, and \$2.6 million for the County's VOIP system.

Additional information on the County's capital assets can be found in note 4 on pages 50 through 51 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Long-Term Debt – At the end of the current fiscal year, Beaufort County had \$270,495,927 of total long-term debt outstanding. Of this amount, \$208,060,000 comprises of debt backed by the full faith and credit of the government.

Beaufort County's Outstanding Debt
June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation Bonds	\$ 159,305,000	\$ 177,515,000	\$ -	\$ -	\$ 159,305,000	\$ 177,515,000
TIF Revenue Bonds	60,575,000	62,760,000	-	-	60,575,000	62,760,000
Bond Anticipation Notes	48,755,000	-	-	-	48,755,000	-
Loan Payable to General Fund	-	-	1,682,537	1,762,774	1,682,537	1,762,774
Capital Leases	<u>178,390</u>	<u>210,091</u>	<u>-</u>	<u>-</u>	<u>178,390</u>	<u>210,091</u>
Total Outstanding Debt	<u>\$ 268,813,390</u>	<u>\$ 240,485,091</u>	<u>\$ 1,682,537</u>	<u>\$ 1,762,774</u>	<u>\$ 270,495,927</u>	<u>\$ 242,247,865</u>

Major outstanding debt events during the current fiscal year included the following:

- In March 2009, the County issued \$48,755,000 of bond anticipation notes bearing an interest rate of 1.75% with a maturity date of March 2010. \$28,755,000 of the proceeds of the bond anticipations notes were used for various County construction projects and equipment, while the other \$20,000,000 of the proceeds of these bonds were used for the County's rural and critical lands projects.
- In March 2009, the County issued \$5,000,000 in general obligation bonds bearing interest rates of 2.5% to 3% and with varying maturity dates through 2012. The proceeds of these bonds were used for various County projects.
- In January 2009, the County paid \$18,690,000 in principal of its 2001 general obligation bonds in a partial bond refunding, which related to the \$17,530,000 2007B County general obligation bond borrowing in the 2008 fiscal year.
- Between November 2008 and January 2009, the County was able to repurchase \$1,670,000 of its Bluffton TIF bonds in open-market transactions. This allowed the County to pay down a total of \$1,875,000 of principal related to these bonds in the 2009 fiscal year.
- Lastly, there was \$25,465,823 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 \$143,581,243. Beaufort County was \$85,910,785 under this legal limit at June 30, 2009. However, the County plans to refinance its 2009 bond anticipation notes within the next fiscal years, which would bring Beaufort County to \$37,155,785 under the legal limit at June 30, 2009.

Additional information on the County's long-term debt can be found in note 5 on pages 51 through 59 of this report.

BEAUFORT COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Beaufort County was 9.1 percent at June 30, 2009, which is an increase from a rate of 5.2 percent a year ago. This compares favorably with the State of South Carolina's average unemployment rate of 12.1 percent at June 30, 2009 and the national average unemployment rate of 9.5 percent at June 30, 2009.
- The housing market downturn continued to affect the County during the 2009 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 2010 fiscal year.

During the 2009 fiscal year, unreserved, undesignated fund balance in the general fund decreased by \$212,629. No fund balance of the general fund has been appropriated for spending in the County's 2010 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.



Photo by Pat Roche

More than 1-million visitors each year travel through the gates of Hunting Island State Park. Many of them enjoy climbing to the top of the park's historic lighthouse for a seagull's view of the beach and maritime forest.

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Equity in Pooled Cash and Investments	\$ 178,282,421	\$ 1,643,030	\$ 179,925,451
Receivables, Net	6,793,102	429,841	7,222,943
Due from Other Governments	9,538,746	-	9,538,746
Due to General Fund	1,777,945	(1,777,945)	-
Advances from General Fund	41,115	(41,115)	-
Note receivable	47,143	-	47,143
Inventories	46,727	225,754	272,481
Prepaid Expenditures	829,534	855	830,389
	<u>197,356,733</u>	<u>480,420</u>	<u>197,837,153</u>
Noncurrent Assets			
Equity in Pooled Investments	12,003,300	-	12,003,300
Advances from General Fund	1,682,537	(1,682,537)	-
Note receivable	1,337,143	-	1,337,143
	<u>15,022,980</u>	<u>(1,682,537)</u>	<u>13,340,443</u>
Capital Assets			
Non-Depreciable	123,729,225	14,474,445	138,203,670
Depreciable	163,794,928	8,599,723	172,394,651
	<u>287,524,153</u>	<u>23,074,168</u>	<u>310,598,321</u>
Total Assets	<u>499,903,866</u>	<u>21,872,051</u>	<u>521,775,917</u>
LIABILITIES			
Liabilities			
Accounts Payable	13,038,373	346,214	13,384,587
Accrued Payroll	3,425,636	138,867	3,564,503
Accrued Compensated Absences	155,422	5,497	160,919
Accrued Interest Payable	3,515,299	-	3,515,299
Current Portion of Long Term Debt	56,352,954	-	56,352,954
Due to Others	1,098,631	-	1,098,631
Deferred Revenues	5,622	-	5,622
	<u>77,591,937</u>	<u>490,578</u>	<u>78,082,515</u>
Long Term Liabilities			
Accrued Compensated Absences	2,953,013	104,455	3,057,468
Net Other Postemployment Benefits Obligation	5,939,451	270,354	6,209,805
Long-Term Obligations	212,460,436	-	212,460,436
	<u>221,352,900</u>	<u>374,809</u>	<u>221,727,709</u>
Total Liabilities	<u>298,944,837</u>	<u>865,387</u>	<u>299,810,224</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	82,426,443	23,074,168	105,500,611
Restricted for Debt Service	34,763,370	-	34,763,370
Unrestricted (Deficit)	83,769,216	(2,067,504)	81,701,712
Total Net Assets	<u>\$ 200,959,029</u>	<u>\$ 21,006,664</u>	<u>\$ 221,965,693</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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 33,883,983	\$ 16,717,090	\$ 1,362,951	\$ 500,000
Public Safety	49,090,928	7,193,599	694,857	1,924,359
Public Works	19,920,007	3,125,389	320,716	1,799,607
Public Health	12,227,572	479,704	4,828,507	-
Public Welfare	1,935,787	22,429	398,003	-
Cultural and Recreation	16,947,113	1,098,497	441,894	-
Interest	10,906,551	-	-	-
Total Governmental Activities	<u>144,911,941</u>	<u>28,636,708</u>	<u>8,046,928</u>	<u>4,223,966</u>
Business-Type Activities				
Stormwater Utility	3,027,952	2,845,833	-	-
Lady's Island Airport	1,129,236	535,016	-	527,315
Hilton Head Airport	2,478,208	1,473,958	124,881	459,096
Total Business-Type Activities	<u>6,635,396</u>	<u>4,854,807</u>	<u>124,881</u>	<u>986,411</u>
Total	<u>\$ 151,547,337</u>	<u>\$ 33,491,515</u>	<u>\$ 8,171,809</u>	<u>\$ 5,210,377</u>
General Revenues & Transfers				
Property Taxes				
Sales Taxes				
Grants and Contributions Not Restricted				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues & Transfers				
Change in Net Assets				
Net Assets, Beginning				
Net Assets, Ending				

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
\$ (15,303,942)	\$ -	\$ (15,303,942)
(39,278,113)	-	(39,278,113)
(14,674,295)	-	(14,674,295)
(6,919,361)	-	(6,919,361)
(1,515,355)	-	(1,515,355)
(15,406,722)	-	(15,406,722)
(10,906,551)	-	(10,906,551)
<u>(104,004,339)</u>	<u>-</u>	<u>(104,004,339)</u>
-	(182,119)	(182,119)
-	(66,905)	(66,905)
-	<u>(420,273)</u>	<u>(420,273)</u>
-	<u>(669,297)</u>	<u>(669,297)</u>
\$ <u>(104,004,339)</u>	\$ <u>(669,297)</u>	\$ <u>(104,673,636)</u>
\$ 92,725,922	\$ -	\$ 92,725,922
30,440,867	-	30,440,867
10,353,360	-	10,353,360
3,728,746	59,803	3,788,548
<u>2,768,685</u>	<u>9,354</u>	<u>2,768,039</u>
<u>140,007,579</u>	<u>69,157</u>	<u>140,076,736</u>
36,003,240	(600,140)	35,403,100
<u>164,955,789</u>	<u>21,606,804</u>	<u>186,562,593</u>
\$ <u>200,959,029</u>	\$ <u>21,006,664</u>	\$ <u>221,965,693</u>

BEAUFORT COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	County Wide General Obligation Bonds	New River TIF Bonds	2009 Bond Anticipation Notes
ASSETS				
Cash and Equity in Pooled Cash and Investments	\$ 21,681,786	\$ 2,871,006	\$ 16,800,449	\$ 18,887,667
Receivables, Net	4,395,065	211,562	-	-
Due from Other Governments	1,827,292	28	-	-
Due to General Fund	1,777,945	-	-	-
Advances from General Fund	1,723,652	-	-	-
Note receivable	-	1,384,286	-	-
Prepaid Expenditures	745,456	-	-	-
Total Assets	<u>\$ 32,151,196</u>	<u>\$ 4,466,882</u>	<u>\$ 16,800,449</u>	<u>\$ 18,887,667</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 6,257,449	\$ -	\$ -	\$ 1,628,368
Accrued Payroll	2,947,065	-	-	-
Due to Others	819,269	-	-	-
Deferred Property Tax Revenue	1,187,269	105,450	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>11,211,052</u>	<u>105,450</u>	<u>-</u>	<u>1,628,368</u>
FUND BALANCE				
Reserved for Encumbrances	445,080	-	-	10,333,732
Reserved for Capital Projects	-	-	-	6,925,577
Reserved for Debt Service	-	4,361,432	16,800,449	-
Reserved for Advances to Other Funds	1,723,652	-	-	-
Unreserved	18,771,412	-	-	-
Total Fund Balance	<u>20,940,144</u>	<u>4,361,432</u>	<u>16,800,449</u>	<u>17,259,309</u>
Total Liabilities and Fund Balance	<u>\$ 32,151,196</u>	<u>\$ 4,466,882</u>	<u>\$ 16,800,449</u>	<u>\$ 18,887,667</u>

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

Sales Tax Projects	Real Property Program	2006 Bond Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 32,864,273	\$ 19,011,102	\$ 11,980,640	\$ 66,174,145	\$ 190,271,068
-	-	-	1,964,994	6,571,621
6,818,262	-	-	893,164	9,538,746
-	-	-	-	1,777,945
-	-	-	-	1,723,852
-	-	-	-	1,384,286
-	-	-	12,352	757,808
<u>\$ 39,682,535</u>	<u>\$ 19,011,102</u>	<u>\$ 11,980,640</u>	<u>\$ 69,044,655</u>	<u>\$ 212,025,126</u>
\$ 1,339,710	\$ -	\$ 30,129	\$ 3,465,988	\$ 12,721,634
11,699	-	-	464,848	3,423,612
-	-	-	279,362	1,098,631
-	-	-	62,572	1,355,291
-	-	-	5,622	5,622
<u>1,351,409</u>	<u>-</u>	<u>30,129</u>	<u>4,278,392</u>	<u>18,604,790</u>
15,953,730	-	214,146	1,885,062	28,831,750
22,377,396	19,011,102	11,736,365	14,795,535	74,845,975
-	-	-	13,601,489	34,763,370
-	-	-	-	1,723,652
-	-	-	34,484,177	53,255,589
<u>38,331,126</u>	<u>19,011,102</u>	<u>11,950,511</u>	<u>64,766,263</u>	<u>193,420,336</u>
<u>\$ 39,682,535</u>	<u>\$ 19,011,102</u>	<u>\$ 11,980,640</u>	<u>\$ 69,044,655</u>	<u>\$ 212,025,126</u>

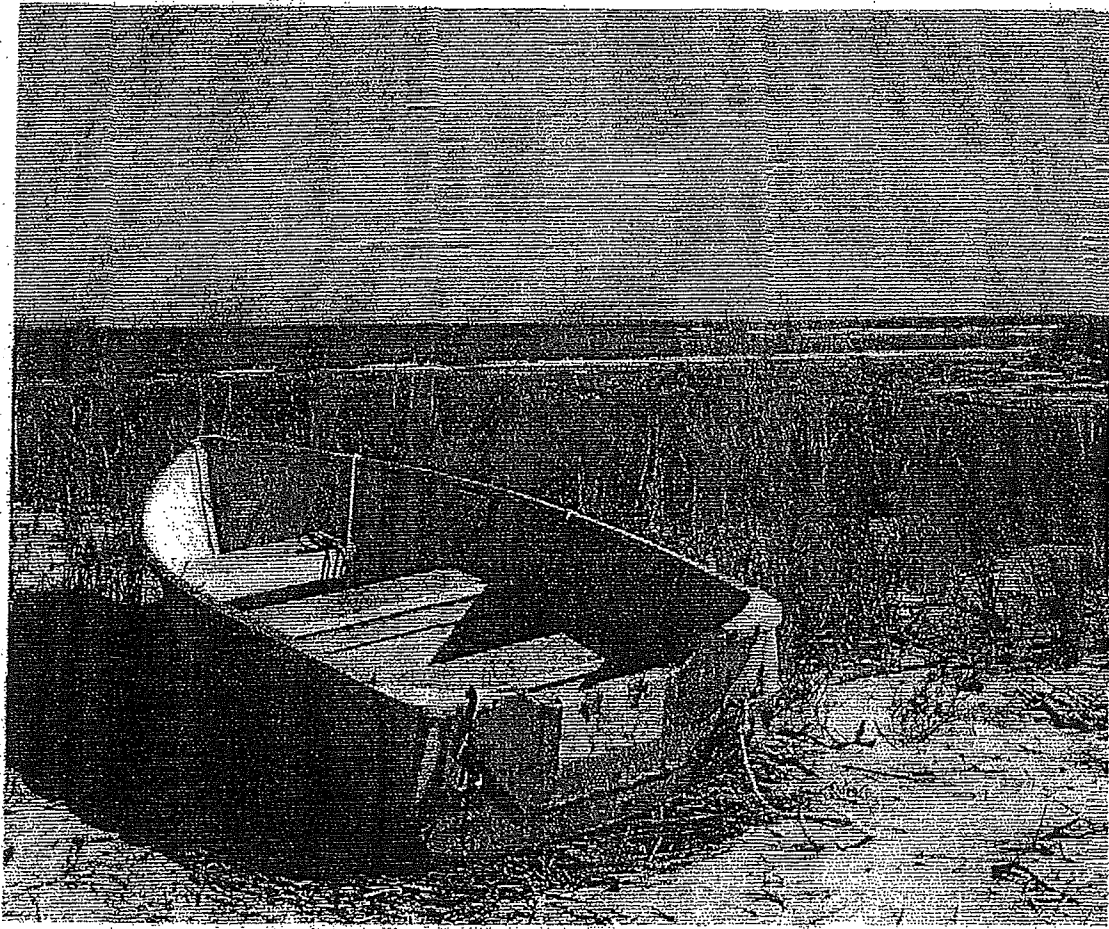


Photo by Ed Funk

A john boat lies on the beach at Pritchard's Island. The island is owned by the University of South Carolina and is accessible only by boat. It is home to a sea turtle nesting ground and center for ecological studies. Groups of students, artists, naturalists, researchers and tourists stay in the island's only cabin to enjoy an experience on a pristine barrier island.

BEAUFORT COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total Governmental Fund Balances (Exhibit 3)	\$ 193,420,336
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 (\$287,524,153 less internal service fund balance of \$205,801)	287,318,352
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred in governmental funds - property taxes	1,355,291
Internal service funds are used by management to charge the costs of fleet services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	236,602
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	(3,515,299)
Current Portion of Long Term Debt	(56,352,954)
Accrued Compensated Absences (\$3,108,435 less internal service fund balance of \$4)	(3,108,431)
Net Other Post Employment Benefits Obligation (\$5,939,451 less internal service fund balance of \$5,019)	(5,934,432)
Long-term obligations	<u>(212,460,436)</u>
Net Assets of Governmental Activities	<u>\$ 200,959,029</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	County Wide General Obligation Bonds	New River TIF Bonds	2009 Bond Anticipation Notes
Revenues				
Property Taxes	\$ 74,049,850	\$ 6,671,181	\$ 7,189,830	\$ -
Licenses and Permits	2,787,597	-	-	-
Intergovernmental	9,064,132	146,580	-	204,801
Charges for Services	10,181,054	-	-	-
Fines and Forfeitures	1,063,709	-	-	-
Interest	1,033,426	748,147	79,437	260,126
Miscellaneous	1,091,778	-	-	-
Total Revenues	<u>99,271,546</u>	<u>7,565,908</u>	<u>7,269,267</u>	<u>464,927</u>
Expenditures				
Current				
General Government	21,049,036	-	-	-
Public Safety	40,265,774	-	-	-
Public Works	15,392,335	-	-	-
Public Health	5,151,909	-	-	-
Public Welfare	932,425	-	-	-
Cultural and Recreation	13,354,314	-	-	-
Debt Service - Principal	-	22,610,000	310,000	-
Debt Service - Interest and Fees	-	6,770,048	1,979,459	-
Capital Projects	-	-	-	7,677,527
Total Expenditures	<u>96,145,793</u>	<u>29,380,048</u>	<u>2,289,459</u>	<u>7,677,527</u>
Excess of Revenues Over (Under) Expenditures	3,125,753	(21,814,140)	4,979,808	(7,212,600)
Other Financing Sources (Uses)				
Issuance of Bonds	-	-	-	28,755,000
Transfers In	869,682	4,367,956	-	2,849,678
Transfers Out	(2,812,282)	-	-	(3,254,971)
Total Other Financing Sources (Uses)	<u>(1,942,600)</u>	<u>4,367,956</u>	<u>-</u>	<u>28,349,707</u>
Net Change in Fund Balance	1,183,153	(17,446,184)	4,979,808	21,137,107
Fund Balance at the Beginning of the Year	<u>19,756,991</u>	<u>21,807,616</u>	<u>11,820,641</u>	<u>(3,877,798)</u>
Fund Balance at the End of the Year	<u>\$ 20,940,144</u>	<u>\$ 4,361,432</u>	<u>\$ 16,800,449</u>	<u>\$ 17,259,309</u>

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

Sales Tax Projects	Real Property Program	2006 Bond Projects	Nonmajor Governmental Funds	Totals Governmental Funds
\$ -	\$ -	\$ -	\$ 4,340,430	\$ 92,251,291
-	-	-	5,501,828	8,289,425
30,440,867	500,000	266,876	12,441,865	53,065,121
-	-	-	4,352,487	14,533,541
-	-	-	290,826	1,354,535
503,382	174,922	99,607	829,698	3,728,745
-	-	-	1,840,547	2,932,325
<u>30,944,249</u>	<u>674,922</u>	<u>366,483</u>	<u>29,597,681</u>	<u>176,154,983</u>
-	-	-	5,089,074	26,138,110
-	-	-	5,376,636	45,642,410
-	-	-	1,906,376	17,298,711
-	-	-	7,018,749	12,170,658
-	-	-	523,772	1,456,197
-	-	-	626,380	13,980,694
-	-	-	2,475,000	25,395,000
-	-	-	2,289,782	11,039,289
<u>16,332,042</u>	<u>4,794,005</u>	<u>1,976,565</u>	<u>8,203,847</u>	<u>38,983,986</u>
<u>16,332,042</u>	<u>4,794,005</u>	<u>1,976,565</u>	<u>33,509,616</u>	<u>192,105,055</u>
14,612,207	(4,119,083)	(1,610,082)	(3,911,935)	(15,950,072)
-	20,000,000	-	5,000,000	53,755,000
819,689	-	3,415,778	5,309,064	17,631,847
-	-	(38,268)	(11,526,326)	(17,631,847)
<u>819,689</u>	<u>20,000,000</u>	<u>3,377,510</u>	<u>(1,217,262)</u>	<u>53,755,000</u>
15,431,896	15,880,917	1,767,428	(5,129,197)	37,804,928
<u>22,899,230</u>	<u>3,130,185</u>	<u>10,183,083</u>	<u>69,895,460</u>	<u>155,615,408</u>
<u>\$ 38,331,126</u>	<u>\$ 19,011,102</u>	<u>\$ 11,950,511</u>	<u>\$ 64,766,263</u>	<u>\$ 193,420,336</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, 2009

Total Net Change in Fund Balances - Governmental Funds (Exhibit 4) \$ 37,804,928

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	41,690,229
Depreciation	(12,407,855)

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	(173,640)
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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	474,631
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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 effect on net assets

Issuance of Long-Term Bonds and Bond Anticipation Notes	(53,755,000)
Bond Principal Payments	25,395,000
Capital Lease Principal Payments	31,701

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

Decrease in Accrued Interest	132,738
Increase in Accrued Compensated Absences	(349,365)
Increase in Other Post Employment Benefit Cost	(2,689,709)

Elimination of internal service fund capital assets less the internal service fund's change in net assets	(150,418)
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Change in Net Assets of Governmental Activities	\$ 36,003,240
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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 (GAAP BASIS) AND ACTUAL
 GENERAL FUND
 For the Year Ended June 30, 2009

	GENERAL			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 76,643,504	\$ 76,643,504	\$ 74,049,850	\$ (2,593,654)
Licenses and Permits	4,164,073	4,164,073	2,787,597	(1,376,476)
Intergovernmental	8,895,480	8,895,480	9,064,132	168,652
Charges for Services	11,718,496	11,718,496	10,181,054	(1,537,442)
Fines and Forfeitures	894,475	894,475	1,063,709	169,234
Interest	922,746	922,746	1,033,426	110,680
Miscellaneous	456,600	456,600	1,091,778	635,178
Total Revenues	<u>103,695,374</u>	<u>103,695,374</u>	<u>99,271,546</u>	<u>(4,423,828)</u>
Expenditures				
General Government	23,175,720	23,307,182	21,049,036	2,258,146
Public Safety	41,264,839	41,035,968	40,285,774	770,194
Public Works	16,933,829	15,923,633	15,392,335	531,298
Public Health	5,280,148	5,156,111	5,151,909	4,202
Public Welfare	1,014,675	1,014,675	932,425	82,250
Cultural and Recreation	13,806,919	13,860,962	13,354,314	506,648
Total Expenditures	<u>101,476,130</u>	<u>100,298,531</u>	<u>96,145,793</u>	<u>4,152,738</u>
Excess of Revenues Over (Under) Expenditures	2,219,244	3,396,843	3,125,753	(271,090)
Other Financing Sources (Uses)				
Transfers In	856,500	1,586,500	869,682	(716,818)
Transfers Out	(3,075,744)	(3,716,980)	(2,812,282)	904,698
Total Other Financing Sources (Uses)	<u>(2,219,244)</u>	<u>(2,130,480)</u>	<u>(1,942,600)</u>	<u>187,880</u>
Net Change in Fund Balance	-	1,266,363	1,183,153	(83,210)
Fund Balance at the Beginning of the Year	<u>19,756,991</u>	<u>19,756,991</u>	<u>19,756,991</u>	<u>-</u>
Fund Balance at the End of the Year	<u>\$ 19,756,991</u>	<u>\$ 21,023,354</u>	<u>\$ 20,940,144</u>	<u>\$ (83,210)</u>

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

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Garage
ASSETS					
Current Assets					
Cash and Investments with Trustee	\$ 1,642,458	\$ 372	\$ 200	\$ 1,643,030	\$ 14,653
Receivables, Net	82,042	35,160	312,639	429,841	221,481
Internal Balances	-	(240,000)	240,000	-	-
Inventories	165,047	60,707	-	225,754	46,727
Prepayments	209	184	462	855	71,726
Total Current Assets	1,889,756	(143,577)	553,301	2,299,480	354,587
Capital Assets	2,626,576	4,082,948	23,624,582	30,334,106	417,789
Accumulated Depreciation	(1,164,057)	(625,426)	(5,470,455)	(7,259,938)	(211,988)
	1,462,519	3,457,522	18,154,127	23,074,168	205,801
Total Assets	\$ 3,352,275	\$ 3,313,945	\$ 18,707,428	\$ 25,373,648	\$ 560,388
LIABILITIES					
Liabilities					
Account Payable	65,235	70,128	210,851	346,214	316,739
Accrued Payroll	89,780	5,425	43,662	138,867	2,024
Accrued Compensated Absences	3,501	105	1,891	5,497	-
Due to General Fund	-	206,800	1,571,145	1,777,945	-
Current Portion of Advance from General Fund	-	-	41,115	41,115	-
Total Current Liabilities	158,516	282,458	1,868,664	2,309,638	318,763
Long Term Liabilities					
Accrued Compensated Absences	86,528	1,985	35,942	104,455	4
Net Other Postemployment Benefits Obligation	192,852	5,019	72,483	270,354	5,019
Advance from General Fund	-	-	1,682,537	1,682,537	-
Total Long Term Liabilities	259,380	7,004	1,790,962	2,057,346	5,023
Total Liabilities	417,896	289,462	3,659,626	4,366,984	323,786
NET ASSETS					
Invested in, Capital Assets, Net of Related Debt	1,462,519	3,457,522	18,154,127	23,074,168	205,801
Unrestricted (Deficit)	1,471,860	(433,039)	(3,106,325)	(2,067,504)	30,801
Total Net Assets	\$ 2,934,379	\$ 3,024,483	\$ 15,047,802	\$ 21,006,664	\$ 236,602

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, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Garage
Operating Revenues					
Garage Billings	\$ -	\$ -	\$ -	\$ -	\$ 1,871,681
Fuel and Oil Sales	-	415,834	-	415,834	2,586,608
Stormwater Utility Fees	2,587,030	-	-	2,587,030	-
Stormwater Utility Project Billings	258,803	-	-	258,803	-
FBO Ground Lease	-	-	34,331	34,331	-
FBO Concessions	-	-	38,722	38,722	-
FBO Fuel Commission	-	-	86,141	86,141	-
Concession Sales	-	6,278	-	6,278	-
Firefighting Fees	-	-	333,731	333,731	-
Landing Fees	-	14,554	164,011	178,565	-
Parking/Taxi Fees	-	-	32,505	32,505	-
Rentals	-	98,350	670,526	768,876	-
Hanger Rentals	-	-	111,631	111,631	-
TSA Revenues	-	-	124,881	124,881	-
Other Charges	-	-	2,360	2,360	917
Total Operating Revenues	<u>2,845,833</u>	<u>535,016</u>	<u>1,598,839</u>	<u>4,979,688</u>	<u>4,459,206</u>
Operating Expenses					
Costs of Sales and Services	-	278,845	-	278,845	2,413,764
Personnel	1,895,869	111,540	964,510	2,971,919	49,371
Purchased Services	429,826	103,803	519,099	1,052,728	1,905,086
Supplies	417,313	10,567	43,529	471,409	12,297
Bad Debt Expense	-	4,911	5,000	9,911	-
Depreciation	<u>284,944</u>	<u>57,302</u>	<u>620,815</u>	<u>963,061</u>	<u>25,376</u>
Total Operating Expenses	<u>3,027,952</u>	<u>566,968</u>	<u>2,152,953</u>	<u>5,747,873</u>	<u>4,405,904</u>
Operating Income (Loss)	(182,119)	(31,952)	(554,114)	(768,185)	53,302
Non-Operating Revenues (Expenses)					
FAA Grants	-	527,315	459,096	986,411	-
Non-Operating Grant Expenditures	-	(562,268)	(237,842)	(800,110)	-
Gain (Loss) on Sale of Capital Assets	9,354	-	-	9,354	-
Interest Earned	30,751	-	29,052	59,803	-
Interest Expense	<u>-</u>	<u>-</u>	<u>(87,413)</u>	<u>(87,413)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>40,105</u>	<u>(34,953)</u>	<u>162,893</u>	<u>168,045</u>	<u>-</u>
Change in Net Assets	(142,014)	(66,905)	(391,221)	(600,140)	53,302
Net Assets, Beginning, as Restated	<u>3,076,393</u>	<u>3,091,388</u>	<u>15,439,023</u>	<u>21,606,804</u>	<u>183,300</u>
Net Assets, Ending	<u>\$ 2,934,379</u>	<u>\$ 3,024,483</u>	<u>\$ 15,047,802</u>	<u>\$ 21,006,664</u>	<u>\$ 236,602</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, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Garage
Cash Flows from Operating Activities:					
Cash Received from Customers and Users	\$ 3,134,903	\$ 563,017	\$ 1,796,146	\$ 5,494,066	\$ 4,551,184
Cash Paid to Employees	(1,746,451)	(108,484)	(918,407)	(2,773,342)	(47,199)
Cash Paid to Suppliers	(861,953)	(304,136)	(462,174)	(1,628,263)	(4,491,501)
	526,499	150,397	415,565	1,092,461	12,484
Cash Flows from Capital and Related Financing Activities:					
FAA Grants	-	527,315	459,096	986,411	-
SCAC Grants	-	-	-	-	-
Non-Operating Grant Expenditures	-	(562,268)	(237,642)	(800,110)	-
Transfers Out	-	-	(35,918)	(35,918)	-
Proceeds from Sale of Capital Assets	15,002	-	-	15,002	-
Purchase of Capital Assets	(320,557)	(115,444)	(503,418)	(939,419)	-
Principal Payment on Debt	-	-	(39,122)	(39,122)	-
Interest Paid on Debt	-	-	(67,413)	(67,413)	-
	(305,555)	(150,397)	(444,617)	(900,569)	-
Cash Flows from Investing Activities:					
Interest Earned	30,751	-	29,052	59,803	-
Net Increase in Cash and Cash Equivalents	251,695	-	-	251,695	12,484
Cash and Cash Equivalents, July 1, 2008	1,390,763	372	200	1,391,335	2,169
Cash and Cash Equivalents, June 30, 2009	\$ 1,642,458	\$ 372	\$ 200	\$ 1,643,030	\$ 14,653

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, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Stormwater Utility	Lady's Island Airport	Hilton Head Airport	Totals	Garage
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (182,119)	\$ (31,952)	\$ (554,114)	\$ (768,185)	\$ 53,302
Adjustments to Reconcile:					
Depreciation	284,944	57,302	620,815	963,061	25,376
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	289,070	32,912	166,369	488,371	91,978
(Increase) Decrease in Inventories	(55,945)	(1,192)	-	(57,137)	88,923
(Increase) Decrease in Other Current Assets	(209)	(184)	(462)	(855)	-
Increase (Decrease) in Accounts Payable	41,340	90,455	136,834	268,629	(249,267)
Increase (Decrease) in Accrued Payroll	26,098	503	5,997	32,598	91
Increase (Decrease) in Accrued Compensated Absences	25,572	331	6,783	32,686	(141)
Increase (Decrease) in Net Other Postemployment Benefits Obligation	97,748	2,222	33,323	133,293	2,222
	423,674	125,047	348,864	897,585	(66,194)
Net Cash Flow from Operating Activities	\$ 526,499	\$ 150,397	\$ 415,565	\$ 1,092,461	\$ 12,484

BEAUFORT COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2009

ASSETS

Cash and Equity in Pooled Cash and Investments

\$ 91,078,517

Total Assets

91,078,517LIABILITIES

Due to Agency

91,078,517

Total Liabilities

91,078,517

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, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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:

	<u>Governmental</u>	<u>Business-Type</u>
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	<u>11,950,511</u>	<u>-</u>
	<u>\$ 82,426,443</u>	<u>\$ 23,074,168</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 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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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	<u>1,411,696</u>	<u>-</u>	<u>768,800</u>	
	<u>\$ 4,395,065</u>	<u>\$ 211,562</u>	<u>\$ 1,964,994</u>	

	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 82,042</u>	<u>\$ 35,160</u>	<u>\$ 312,639</u>	<u>\$ 221,481</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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
	<u>\$ 1,827,292</u>	<u>\$ 28</u>	<u>\$ 6,818,262</u>	<u>\$ 893,164</u>

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:

<u>Fiscal Year Ending</u>	<u>Amount</u>
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	<u>241,714</u>
Total minimum note payments	1,990,377
Less Amount Representing Interest	<u>(606,091)</u>
Present value of minimum note payments	1,384,286
Less current portion	<u>(47,143)</u>
Long-term portion	<u>\$ 1,337,143</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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	<u>15,160,362</u>	<u>36,004,808</u>	<u>8,097,459</u>	<u>43,067,711</u>
Total Capital Assets not Being Depreciated	<u>91,044,875</u>	<u>40,781,809</u>	<u>8,097,459</u>	<u>123,729,225</u>
Other Capital Assets:				
Buildings & Improvements	130,351,883	952,555	-	131,304,438
Infrastructure	71,743,906	2,330,840	-	74,074,746
Equipment	<u>42,613,238</u>	<u>5,491,306</u>	<u>1,605,046</u>	<u>46,499,498</u>
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	<u>27,883,047</u>	<u>4,342,456</u>	<u>1,431,406</u>	<u>30,794,097</u>
Total Accumulated Depreciation	<u>77,107,305</u>	<u>12,407,855</u>	<u>1,431,406</u>	<u>88,083,754</u>
Other Capital Assets, Net	<u>167,601,722</u>	<u>(3,633,154)</u>	<u>173,640</u>	<u>163,794,928</u>
Governmental Activities Capital Assets, Net \$	<u>258,646,597</u>	<u>\$ 37,148,655</u>	<u>\$ 8,271,099</u>	<u>\$ 287,524,153</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, 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	<u>1,840,301</u>
Total	<u>\$12,407,855</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

<u>Description</u>	<u>Rates and Dates</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding at June 30, 2009</u>
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
			<u>\$206,630,000</u>	<u>\$159,305,000</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations - Continued:

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

<u>Fiscal Year Ending</u>	<u>2001 County Bonds</u>	<u>2002 County Bonds</u>	<u>2003 County Bonds</u>	<u>2005 County Bonds</u>
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	-	-	-	<u>3,123,750</u>
Total	3,200,910	17,510,306	28,375,443	46,393,875
Less Amount Representing Interest	<u>200,910</u>	<u>4,035,306</u>	<u>7,525,443</u>	<u>16,793,875</u>
Net	<u>\$ 3,000,000</u>	<u>\$ 13,475,000</u>	<u>\$ 20,850,000</u>	<u>\$ 29,600,000</u>

<u>Fiscal Year Ending</u>	<u>2006 County Bonds</u>	<u>2006B County Bonds</u>	<u>2007 County Bonds</u>	<u>2007B County Bonds</u>
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	<u>2,820,000</u>	<u>5,734,125</u>	<u>7,467,251</u>	-
Total	23,221,064	42,293,625	38,281,717	22,493,300
Less Amount Representing Interest	<u>7,071,064</u>	<u>13,393,625</u>	<u>13,206,717</u>	<u>5,238,300</u>
Net	<u>\$ 16,150,000</u>	<u>\$ 28,900,000</u>	<u>\$ 25,075,000</u>	<u>\$ 17,255,000</u>

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations – Continued:

<u>Fiscal Year Ending</u>	<u>2009 County Bonds</u>	<u>Total</u>
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	-	<u>19,145,126</u>
Total	5,362,125	227,132,365
Less Amount Representing Interest	<u>362,125</u>	<u>67,827,365</u>
Net	<u>\$5,000,000</u>	<u>\$159,305,000</u>

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:

<u>Fiscal Year Ending</u>	<u>Amount</u>
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	<u>17,850,000</u>
Total	\$ <u>159,305,000</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, 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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations – Continued:

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>
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	<u>11,233,000</u>	<u>4,153,250</u>	<u>15,386,250</u>
Total	62,193,063	34,279,850	96,472,913
Less Amount Representing Interest	<u>22,953,063</u>	<u>12,944,850</u>	<u>35,897,913</u>
Net	<u>\$39,240,000</u>	<u>\$21,335,000</u>	<u>\$60,575,000</u>

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

5. Long Term Obligations - Continued:

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

<u>Fiscal Year Ending</u>	<u>Loan Payable to General Fund</u>	<u>Principal</u>	<u>Interest</u>
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	<u>379,603</u>	<u>350,478</u>	<u>29,125</u>
Total	\$ <u>2,910,300</u>	\$ <u>1,723,652</u>	\$ <u>1,186,648</u>

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.

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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	<u>32,954</u>
	<u>\$ 56,352,954</u>

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
<u>\$ 2,764,085</u>	<u>\$ 4,105,366</u>	<u>\$ 3,761,016</u>	<u>\$ 3,108,435</u>	<u>\$ 155,422</u>

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
<u>\$ 76,566</u>	<u>\$ 160,649</u>	<u>\$ 127,016</u>	<u>\$ 109,952</u>	<u>\$ 5,497</u>

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

<u>Recipient Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds	\$ 869,682
County Wide General Obligation Bonds	Nonmajor Special Revenue Funds	4,066,989
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
		<u>\$ 17,631,847</u>

Due to General Fund

Due to general fund also included \$1,777,845 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, 2008 were approximately \$510,000.

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

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

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

	<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%	4.24%	N/A	.15%	9.39%
PORS	8.43%	2.22%	.20%	.20%	11.05%

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

<u>Contribution Information:</u>	<u>SCRS</u>	<u>PORS</u>
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	9.39%	11.05%
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, 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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

10. Retirement Plans -- Continued:

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
65	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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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:

	<u>SCRS</u>	<u>PORS</u>
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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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 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:

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

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:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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 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, 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.

BEAUFORT COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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.

APPENDIX B

FORM OF BOND COUNSEL OPINION

(Date of Delivery)

Beaufort County, South Carolina
Beaufort, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C
\$8,125,000

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$8,125,000 General Obligation Refunding Bonds, Series 2010C dated _____, 2010 (the "Bonds"). 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 representations of the County contained in the Ordinance of the County authorizing the Bonds and the Federal Tax Certificate of the County dated the date hereof, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the Bonds have been duly authorized, executed and delivered by all parties thereto other than the County, and we have further assumed the due organization, existence and powers of such other parties other than the County.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the County or the purchaser of the Bonds in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the Bonds and the Ordinance for a further description of the Bonds the purposes for which the Bonds are issued, the uses of the proceeds from the sale of the Bonds and the security therefor.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds 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 upon all taxable property of the County an ad valorem tax, without limitation as to rate or amount, sufficient to pay the principal and interest of the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt payment thereof.
3. Interest on the Bonds 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 Bonds 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 Bonds to be included in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

4. Under the laws of the State of South Carolina, the Bonds 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 Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds 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 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds 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 November 18, 2010, 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 Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"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.

"Annual Report" means an Annual Report described in and consistent with Section 3 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 MSRB 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 Finance Director, 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.

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

"Repository" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

"Trustee" means the institution identified as such or identified as Registrar/Paying Agent 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 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 the MSRB not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010. 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 the MSRB 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 the MSRB 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 the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) determine the address of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB together with a completed copy of the 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 MSRB, 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: "THE BONDS—Security," "DEBT STRUCTURE—Outstanding Indebtedness," and "CERTAIN FISCAL MATTERS—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. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

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 the Securities and Exchange Commission or available on the MSRB Internet Website. 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.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

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 MSRB in accordance with Section 2(e)(iv) hereof.

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 MSRB, 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 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 shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

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 Florida (other than with respect to conflicts of laws), except that the capacity of the Issuer to enter into this Disclosure Agreement and its enforceability against the Issuer shall be governed by and construed in accordance with the laws of the State of South Carolina.

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.

[Signature page follows]

The Disclosure Dissemination Agent and the Issuer have caused this 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)	Beaufort County, South Carolina
Name of Bond Issue:	General Obligation Refunding Bonds, Series 2010C, \$8,125,000

Date of Issuance:	_____, 2010
Date of Official Statement	_____, 2010

CUSIP Numbers: _____

EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: Beaufort County, South Carolina
Obligor: Beaufort County, South Carolina
Name of Bond Issue: General Obligation Refunding Bonds, Series 2010C, \$8,125,000
Date of Issuance: _____, 2010

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 _____, 2010, 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 will be sent to the MSRB, 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 Event 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) _____

____ Failure to provide annual financial information as required

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 the County Council (the "County Council") of Beaufort County, South Carolina (the "County") do hereby certify that as of the date hereof no notice prescribed by Title 11, Chapter 27, Code of Laws of South Carolina 1976, as amended, signed by not less than five (5) qualified electors of the County, of the intention to seek a referendum, pursuant to the initiative and referendum provisions of South Carolina law, Sections 4-9-1210 to 4-9-1230, Code of Laws of South Carolina 1976, as amended, has been filed in my office.

This certificate is given with respect to the \$8,125,000 General Obligation Refunding Bonds, Series 2010C of the County authorized to be issued pursuant to Ordinance No. 2010/14 enacted by the County Council on September 13, 2010.



Clerk to County Council, Beaufort County,
South Carolina

(SEAL)

Dated: November 18, 2010

FEDERAL TAX CERTIFICATE

I, the undersigned County 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 Bonds (as hereinafter defined) and as to future events regarding the amount and use of the proceeds thereof.

The Bonds

1. The undersigned is an officer of the County charged with the responsibility with other officials of the County for issuing the \$8,125,000 General Obligation Refunding Bonds, Series 2010C, of the County, dated November 18, 2010 (the "Bonds"), which is being issued pursuant to Ordinance No. 2010/14 duly enacted by the County Council on September 13, 2010, and which are being taken up and paid for by the initial purchaser thereof on November 18, 2010. This certificate shall constitute and be a document related to the Bonds.

2. The Bonds are being issued for the purposes of (a) refunding the 2014-2022 maturities (the "Bonds to be Refunded") of the County's original principal amount \$25,100,000 General Obligation Bonds, Series 2002 (the "2002 Bonds"); and (b) paying costs of issuance of the Bonds.

3. The Bonds 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.

4. The Bonds are not "hedge bonds" (within the meaning of Section 149(g) of the Code) because at least 85% of the proceeds of the 2002 Bonds were allocated to expenditures for the 2002 Projects (defined herein) no later than three years from the date of issue of the 2002 Bonds. Consequently, not more than 50% of the proceeds of the 2002 Bonds were invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four or more years.

Governmental Bond

5. The 2002 Bonds were issued to defray the cost of capital projects of the County (the "2002 Projects"). The 2002 Projects are expected during the term of the Bonds to be used by the County in conjunction with the County's governmental purposes. The Projects are not expected during the term of the Bonds to be sold or disposed of in whole or in part for consideration.

6. For purpose of this Certificate, "Nonqualifying Use" means use of the proceeds of the Bonds, the proceeds of the 2002 Bonds and the 2002 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 2002 Projects was 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 2002 Bonds or the Bonds, as applicable.

8. As of the date of this Certificate, the County represents and covenants that the Nonqualifying Use in every Measurement Year (within the period beginning on the Service Date and ending on the date hereof) was less than ten percent (10%). 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 Bonds 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 Bonds; or (c) take appropriate remedial actions in accordance with Section 1.141-12 of the Regulations.

Proceeds

10. The Bonds have been sold to Hutchinson, Shockey, Erley & Co. (the "Purchaser"), at a price of \$ \$8,682,373.50 (the "Original Proceeds"), which amount is the par amount of the Bonds (\$8,125,000.00) plus a bid premium of \$557,373.50. The Purchaser has made a public offering of the Bonds at a price of \$8,720,960.80 (the "Offering Price"), which price is the par amount of the Bonds (\$8,125,000.00) plus an original issue premium of \$595,960.80. The Purchaser will retain \$38,587.30 of the original issue premium as its compensation for selling the Bonds.

11. The Original Proceeds to be received by the County are expected to be needed and fully expended as follows:

(a) \$8,622,942.99 of the Original Proceeds will be deposited with Wells Fargo Bank, N.A., as escrow agent in a refunding trust fund (the "Refunding Trust Fund") established for the 2002 Bonds created pursuant to a Refunding Trust Agreement (the "Refunding Trust Agreement") dated November 18, 2010; and

(b) Original Proceeds in the amount of approximately \$59,430.51 will be expended within 30 days of the date hereof for costs of issuance of the Bonds.

12. Of the moneys deposited into the Refunding Trust Fund, \$8,622,942.00 will be used to acquire United States Treasury Securities-State and Local Government Series (the "SLGS") and \$0.99 will remain uninvested. The proceeds of the SLGS together with a portion of the uninvested monies will be applied to pay (a) the interest on the Bonds to be Refunded on February 1, 2011 and August 1, 2011; and (b) the principal of, redemption premium and interest on the Bonds to be

Refunded on February 1, 2012, the redemption date thereof. The principal of and interest on the SLGS will not exceed the amount required to pay the principal of and interest on the Bonds to be Refunded and the maturing principal of and interest on the SLGS will not be reinvested.

13. As of the date hereof, all of the proceeds of the 2002 Bonds have been expended. As such, there will be no "transferred proceeds" (within the meaning of Section 1.148-9(b) of the Regulations) with respect to the Bonds.

14. The Original Proceeds do not exceed the amount necessary to accomplish the governmental purpose of the Bonds.

Replacement Proceeds

15. The Treasurer of Beaufort County, South Carolina, maintains a debt service fund for the County which will be used to pay the principal and interest on the Bonds (the "Debt Service Fund"). Amounts in the Debt Service Fund are used to pay principal and interest on all of the long term obligations of the County. The Debt Service Fund is primarily used to achieve proper matching of revenues with principal and interest obligations of the County. The Debt Service Fund is a commingled fund that serves as a sinking fund for two or more issues (within the meaning of Section 1.148-1(b) of the Regulations). The County understands that, to the extent amounts in the Debt Service Fund are allocable to the Bonds, such amounts are "replacement proceeds" (as defined in Section 1.148-1(c) of the Regulations).

16. In accordance with Section 1.148-6(e) of the Regulations, the County will allocate the Debt Service Fund investments among the issues served by such fund as of a date at least once a year. As of the issue date of the Bonds and in accordance with the allocation as of such date, the portion of the Debt Service Fund allocable to the Bonds (such portion of the Debt Service Fund allocable to the Bonds as of any allocation date is hereinafter referred to as the "Bond's Debt Service Fund") is expected to be less than the annual principal and interest payments on the Bonds.

17. In each bond year, the Bond's Debt Service Fund is expected to be depleted at least once a year, except for a reasonable carry over amount not to exceed the greater of the earnings on the Debt Service Fund that are allocable to the Bond's Debt Service Fund or one-twelfth of the principal and interest payments on the Bonds for the immediately preceding bond year. The County expects that the Bond's Debt Service Fund will be a "bona fide debt service fund" as defined in Section 1.148-1(b) of the Regulations (hereinafter referred to as a "Bona Fide Debt Service Fund").

18. With respect to the Bonds, no other sinking fund or similar fund has been established or created nor does the County expect to establish or create such fund.

19. The weighted average maturity (7.483 years) of the Bonds is less than 120% of the average reasonably expected remaining economic life of the 2002 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 Bonds.

Yield

20. 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.

21. There are no other obligations of the County which (a) were or will be sold within 15 days of date of sale of the Bonds, (b) were or will be sold pursuant to a plan of financing common with the plan of financing for the Bonds, and (c) are reasonably expected to be paid from substantially the same source of funds as the Bonds.

22. The Purchaser of the Bonds has certified that the Offering Price is the aggregate initial offering price of the Bonds to the public (excluding bond houses, brokers and other intermediaries). Based upon such price, the yield on the Bonds is computed to be 2.2255572% (the "Bond Yield").

Temporary Periods and Yield Restriction

23. The SLGS will mature on February 1, 2011, August 1, 2011, and February 1, 2012. On February 1, 2012, the proceeds of the SLGS will be used to redeem the Bonds to be Refunded. The yield on the SLGS acquired with the Original Proceeds is 0.1994642%, which is less than the Bond Yield.

24. The computations of yield referred to in paragraphs 22 and 23 above have been verified by Amtec Compliance, whose formal verification is made a part of the transcript of proceedings in this matter. Such formal verification confirms (a) that the SLGS purchased with amounts deposited to the Refunding Trust Fund (together with uninvested amounts therein) will be sufficient to pay the principal of, redemption premium, and interest on the Bonds to be Refunded to and including February 1, 2012 (when due and upon redemption thereof, as applicable); and (b) that the yield on the SLGS is less than the Bond Yield.

25. The portion of the Original Proceeds to be used to pay costs of issuance is expected to be expended within 30 days of the date hereof. Such amounts may be invested without regard to the Bond Yield for a period of 30 days from the date hereof.

26. To the extent that the Bonds' Debt Service Fund is a Bona Fide Debt Service Fund, amounts deposited in such fund may be invested without regard to the Bond Yield for a period of 13 months after their receipt and any amount received from investment thereon may be invested without regard to the Bond Yield for a period of 12 months after its receipt.

27. To the extent amounts do not qualify for the temporary periods contained in paragraphs 25 and 26 (either through the expiration of such temporary periods or amounts in excess of amounts that qualify as a Bond Fide Debt Service Fund; hereinafter referred to as the "Excess Investments"), up to \$100,000 of such Excess Investments may be invested without regard to the Bond Yield. The County represents that Excess Investments in excess of \$100,000 will not be invested at a yield in excess of the Bond Yield.

Arbitrage Rebate Compliance

28. To the extent the Bonds' Debt Service Fund is a Bona Fide Sinking Fund, investments in such fund qualify for an exception from rebate pursuant to Section 1.148-3(k) of the Regulations and Section 148(f)(4)(A)(ii) of the Code because the average annual debt service of the Bonds is not in excess of \$2,500,000. To the extent amounts deposited in such fund do not qualify as a Bona Fide Debt Service Fund, the earnings on such amounts will be subject to arbitrage rebate (described in paragraph 29).

29. The County will maintain records with respect to nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) attributable to the Bonds. The County will use such records to determine whether such proceeds qualify for an exception from the arbitrage rebate requirement (as described in paragraph 28) and, if the County is subject to the arbitrage rebate requirement, 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 Bond 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.

30. The County has not entered into and will not enter into any transaction to reduce the yield on the proceeds of the Bonds in such manner that the amount to be rebated to the U.S. Treasury is less than it would have been had the transaction been at arms' length and the Bond Yield not relevant to either party to the transaction.

Excess Proceeds

31. The Bonds are not part of an issue that has "excess gross proceeds." Excess gross proceeds (as defined in Section 1.148-10(c)(2) of the Regulations) means all gross proceeds (as defined in Section 1.148-1(b) of the Regulations) of the Bonds that exceed an amount equal to one percent of the sale proceeds (as defined in Section 1.148-1(b) of the Regulations) of the Bonds, other than gross proceeds allocable to (a) the payment of principal, interest or redemption premium (if any) on the Bonds to be Refunded; (b) payment of pre-issuance accrued interest on the Bonds and interest on the Bonds that accrues for a period up to the completion date of any capital project for which the Bonds to be Refunded were issued, plus one year; (c) a reasonably required reserve or replacement fund for the Bonds or investment proceeds of such fund; (d) payment of costs of issuance of the Bonds; (e) payment of administrative costs allocable to repaying the Bonds to be Refunded, carrying and repaying the Bonds, or investments of the Bonds, (f) transferred proceeds that will be used or maintained for the governmental purpose of the Bonds to be Refunded, (g) interest on purpose investments; (h) replacement proceeds (as defined in Section 1.148-1(c) of the Regulations) in a sinking fund for the Bonds; (i) qualified guarantee fees for the Bonds or the Bonds to be Refunded; and (j) fees for a qualified hedge for the Bonds.

Miscellaneous

32. The Bonds 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.

33. The Bonds are not “federally guaranteed” within the meaning of Section 149(b) of the Code.

34. The Bonds to be Refunded will be redeemed prior to maturity on February 1, 2012. Such date is prior to the date any of the Bonds to be Refunded are required by their terms to be paid at maturity or in accordance with any sinking fund installment schedule. Thus, the refunding of the Bonds to be Refunded will not cause any of the Bonds to be Refunded to remain outstanding longer than if they were not refunded. The County has refunded the Bonds to be Refunded to achieve a debt service savings.

35. 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 Bonds are issued. The County has reviewed the Form 8038-G prepared for the Bonds, and all of the information contained therein is, to the best of the County's knowledge, true and complete.

36. 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 Bonds as being excludable from gross income for federal income tax purposes.

[Signature page follows]

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 as of the 18th day of November, 2010.

Administrator, Beaufort County, South Carolina

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 as of the 18th day of November, 2010.

A handwritten signature in blue ink, appearing to read "Gary Kyprie", is written over a horizontal line.

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 18th day of November, 2010, officially sign \$8,125,000 General Obligation Refunding Bonds, Series 2010C (the "Bonds") 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 Bonds are in fully-registered form, dated November 18, 2010, numbered from R-1 upward, in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount of bonds maturing each year, bear interest from their date payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, at the rates per annum set forth below, and mature serially in successive annual installments on February 1 in each of the years and in the principal amounts as follows:

<u>February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$ 805,000	2.00%
2015	825,000	2.00
2016	840,000	2.00
2017	860,000	3.00
2018	895,000	3.00
2019	925,000	3.00
2020	950,000	4.00
2021	990,000	4.00
2022	1,035,000	4.00

The manual or facsimile signatures of Wm. Weston J. Newton, Chair, County Council of the County (the "County Council") and Suzanne M. Rainey, Clerk to the County Council, are upon the Bonds, and the seal of the County is imprinted on all of the Bonds, an impression of such seal being affixed hereon. The manual signature of an authorized officer of Wells Fargo Bank, N.A., Registrar, is upon the Registrar's Certificate of Authentication on each of the Bonds.

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 Bonds or the levy and collection upon all taxable property in the County of an ad valorem tax, without limitation as to rate or amount, sufficient to pay the principal and interest of the Bonds, or questioning, contesting, or affecting in any manner the validity of Ordinance No. 2010/14 duly enacted by the County Council on September 13, 2010, authorizing the issuance of the Bonds, or validity of the Bonds thereunder; 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 Bonds have been repealed, revoked or rescinded.

Done and delivered this 18th day of November, 2010.

Signature

Wm. W. G. G. G.

Title

Chair, County Council of Beaufort County,
South Carolina

Eugene D. D.

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 the purchasers or their agents or assigns, the purchase price of \$8,125,000 General Obligation Refunding Bonds, Series 2010C (the "Bonds"), of Beaufort County, South Carolina.

The date of delivery of and payment for the Bonds was November 18, 2010.

The purchase price:

Principal	\$8,125,000.00
Bid Premium	<u>557,373.50</u>
Total	\$8,682,373.50



Treasurer, Beaufort County, South Carolina

Dated: November 18, 2010.

CERTIFICATE OF THE COUNTY ADMINISTRATOR
REGARDING THE OFFICIAL STATEMENT

I, the undersigned Administrator of Beaufort County, South Carolina (the "County") in accordance with Ordinance No. 2010/14 duly enacted by the County Council on September 13, 2010, do hereby certify that the Preliminary Official Statement dated October 28, 2010, and the final Official Statement dated November 4, 2010, in regard to the \$8,125,000 General Obligation Refunding Bonds, Series 2010C, 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 18th day of November, 2010.



Administrator, Beaufort County, South Carolina

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-1

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
2.00%	February 1, 2014	November 18, 2010	074347VC6

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: EIGHT HUNDRED FIVE THOUSAND DOLLARS (\$805,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-2

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
2.00%	February 1, 2015	November 18, 2010	074347VD4

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: EIGHT HUNDRED TWENTY-FIVE THOUSAND DOLLARS
(\$825,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-3

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
2.00%	February 1, 2016	November 18, 2010	074347VE2

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: EIGHT HUNDRED FORTY THOUSAND DOLLARS (\$840,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-4

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
3.00%	February 1, 2017	November 18, 2010	074347VF9

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: EIGHT HUNDRED SIXTY THOUSAND DOLLARS (\$860,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-5

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
3.00%	February 1, 2018	November 18, 2010	074347VG7

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: EIGHT HUNDRED NINETY-FIVE THOUSAND DOLLARS
(\$895,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-6

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
3.00%	February 1, 2019	November 18, 2010	074347VH5

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: NINE HUNDRED TWENTY-FIVE THOUSAND DOLLARS
(\$925,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-7

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
4.00%	February 1, 2020	November 18, 2010	074347VJ1

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: NINE HUNDRED FIFTY THOUSAND DOLLARS (\$950,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-8

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
4.00%	February 1, 2021	November 18, 2010	074347VK8

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: NINE HUNDRED NINETY THOUSAND DOLLARS (\$990,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
BEAUFORT COUNTY
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010C

No. R-9

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
4.00%	February 1, 2022	November 18, 2010	074347VL6

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION THIRTY-FIVE THOUSAND DOLLARS (\$1,035,000)

KNOW ALL MEN BY THESE PRESENTS, that Beaufort County, South Carolina (the "County"), is justly indebted and, for value received, hereby promises to pay to the registered holder specified above, or registered assigns, the principal amount specified above on the maturity date specified above, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, N.A., Atlanta, Georgia (the "Paying Agent"), and to pay interest on such principal amount from the date hereof at the rate per annum specified above until this Bond matures. Interest on this Bond is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, until this Bond matures, and shall be payable by check or draft mailed to the person in whose name this Bond is registered on the registration books of the County maintained by the registrar, presently Wells Fargo Bank, N.A., Atlanta, Georgia (the "Registrar"), at the close of business on the fifteenth (15th) day of the calendar month preceding each semiannual interest payment date. The principal of and interest on this Bond are 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; provided, however, that interest on this fully-registered Bond shall be paid by check or draft as set forth above.

This Bond shall not be entitled to any benefit under the Ordinance (hereafter defined), nor become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been duly executed by the Registrar.

For the payment hereof, both principal and interest, 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 Auditor of the County and collected by the Treasurer of the County, in the same manner as other county taxes are levied and collected, a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as they respectively mature and to create such sinking fund as may be necessary therefor.

This Bond is one of a series of Bonds of like date of original issue, tenor and effect, except as to number, denomination, date of maturity, redemption provisions, and rate of interest, aggregating Eight Million One Hundred Twenty-Five Thousand Dollars (\$8,125,000), issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina, including The Bonds will be issued pursuant to and in accordance with the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), and the statutes of the State, including Title 11, Chapters 15 and 21 of the Code of Laws of South Carolina, 1976, as amended; an ordinance enacted September 13, 2010 (the "Ordinance").

This Bond is not subject to redemption prior to its stated maturity.

This Bond is transferable as provided in the Ordinance, only upon the books of the County kept for that purpose at the principal office of the Registrar by the registered holder in person or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered holder or his duly authorized attorney. Thereupon a new fully-registered Bond or Bonds of the same aggregate principal amount, interest rate redemption provisions, if any, and maturity shall be issued to the transferee in exchange therefor as provided in the Ordinance. The County, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

Under the laws of the State of South Carolina, this Bond and the interest hereon are exempt from all State, county, municipal, school district and all other taxes or assessments, except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise.

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 and to be performed precedent to or in the issuance of this Bond exist, have happened and have been performed in regular and due time, form and manner as required by law; that the amount of this Bond, together with all other indebtedness of the County, does not exceed the applicable limitation of indebtedness under the laws of the State of South Carolina; and that provision has been made for the levy and collection of a tax, without limit, on all taxable property in the County sufficient to pay the principal of and interest on this Bond as the same shall respectively mature and to create such sinking fund as may be necessary therefor.

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

BEAUFORT COUNTY, SOUTH CAROLINA

Chair, County Council

(SEAL)

ATTEST:

Clerk to County Council

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

Date of Authentication:

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

Wells Fargo Bank, N.A., as Registrar

By: _____
Authorized Agent

The following abbreviations, when used in the inscription on the face of this Bond 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 NET - as tenants by the
entireties

____ Custodian ____
(Cust) (Minor)
under Uniform Gifts to
Minors Act ____
(state)

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

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

ASSIGNMENT

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

(Name and address of Transferee)
the within Bond and does hereby irrevocably constitute and appoint _____ attorney to
transfer the within Bond on the books kept for registration thereof, with full power of substitution in the
premises.

Dated:

Signature Guaranteed:

(Authorizing Officer)

Signature(s) must be guaranteed
by an institution which is a
participant in the Securities
Transfer Agents Medallion
Program ("STAMP") or similar
program.

NOTICE: The signature to this
agreement must correspond with
the name of the registered holder as
it appears upon the face of the
within Bond in every particular,
without alteration or enlargement or any
change whatever.

CERTIFICATE

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the complete final approving opinions (except for date and letterhead) of McNair Law Firm, P.A., Columbia, South Carolina, approving the issue of bonds of which the within bond is one, the original of which opinions were manually executed, dated and issued as of the date of delivery of and payment for the bonds and a copy of which is on file with the County Council of Beaufort County, South Carolina.

BEAUFORT COUNTY, SOUTH CAROLINA

By: _____
Clerk to County Council

[Date of Delivery]

Beaufort County, South Carolina
Beaufort, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C
\$8,125,000

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$8,125,000 General Obligation Refunding Bonds, Series 2010C dated November 18, 2010 (the "Bonds"). 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 representations of the County contained in the Ordinance of the County authorizing the Bonds and the Federal Tax Certificate of the County dated the date hereof, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the Bonds have been duly authorized, executed and delivered by all parties thereto other than the County, and we have further assumed the due organization, existence and powers of such other parties other than the County.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the County or the purchaser of the Bonds in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the Bonds and the Ordinance for a further description of the Bonds the purposes for which the Bonds are issued, the uses of the proceeds from the sale of the Bonds and the security therefor.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds 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 upon all taxable property of the County an ad valorem tax, without limitation as to rate or amount, sufficient to pay the principal and interest of the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt payment thereof.
3. Interest on the Bonds 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 Bonds 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 Bonds to be included in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

4. Under the laws of the State of South Carolina, the Bonds 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 Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds 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 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds 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.

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name Beaufort County, South Carolina		2 Issuer's employer identification number (EIN) 57 6004178	
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 (For IRS Use Only) 3	
5 City, town, or post office, state, and ZIP code Beaufort, South Carolina 29901-1228		6 Date of issue November 18, 2010	
7 Name of issue \$8,125,000 General Obligation Refunding Bonds, Series 2010C		8 CUSIP number 074347VL6	
9 Name and title of officer of the issuer or other person whom the IRS may call for more information Francenia B. Heizer, Bond Counsel		10 Telephone number of officer or other person (803) 799-9800	

Part II Type of Issue (enter the issue price) See instructions and attach schedule		
11 Education	11	
12 Health and hospital	12	
13 Transportation	13	
14 Public safety	14	
15 Environment (including sewage bonds)	15	
16 Housing	16	
17 Utilities	17	
18 Other. Describe ► Refunding Existing Debt	18	\$8,720,960 80
19 If obligations are TANs or RANs, check only box 19a	►	<input type="checkbox"/>
If obligations are BANs, check only box 19b	►	<input type="checkbox"/>
20 If obligations are in the form of a lease or installment sale, check box	►	<input type="checkbox"/>

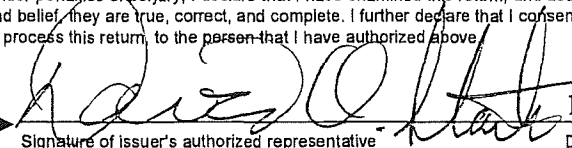
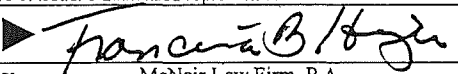
Part III Description of Obligations. Complete for the entire issue for which this form is being filed.				
(a) Final Maturity Date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21 February 1, 2022	\$ 8,720,960.80	\$ 8,125,000.00	7.483 years	2.2255572 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22 Proceeds used for accrued interest	22	\$ 0 00		
23 Issue price of entire issue (enter amount from line 21, column (b))	23	8,720,960 80		
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	\$ 98,0871 81		
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	8,622,942 99		
29 Total (add lines 24 through 28)	29	8,720,960 80		
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	\$ 0 00		

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)	
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	► years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	► 7.527 years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	► February 1, 2012
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)	

Part VI Miscellaneous

- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) **35**
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) **36a**
- b** Enter the final maturity date of the GIC **37a**
- 37** Pooled financings: **a** Proceeds of this issue that are to be used to make loans to other governmental units
- b** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the name of the issuer **38**
- 38** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box **39**
- 39** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box **40**
- 40** If the issuer has identified a hedge, check box

Signature and Consent	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. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.		
	 Signature of issuer's authorized representative	11/18/2010 Date	David A. Starkey, Chief Financial Officer Type or print name and title
Paid Preparer's Use Only	Preparer's signature 	11/18/10 Date	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP code McNair Law Firm, P.A. Post Office Box 11390, Columbia, South Carolina, 29211	EIN 57	Preparer's SSN or PTIN P01080941 Phone no. (803) 799-9800

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of November 18, 2010, 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 Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repository.

"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.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Bonds" means the obligations of the Issuer, 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 Repository 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 Finance Director, 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.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds as listed on Appendix A.

“Repository” means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

“Trustee” means the institution identified as such or identified as Registrar/Paying Agent 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 the Repository not later than 210 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010. 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 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 the Repository 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 the Repository 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) upon receipt, promptly file each Annual Report received under Section 2(a) with the Repository;
- (ii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the Repository;
- (iii) upon receipt, promptly file the text of each disclosure to be made with the Repository 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.
- (iv) 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 Repository, 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: "THE BONDS" – "Security," "DEBT STRUCTURE" "-Outstanding Indebtedness" and "CERTAIN FISCAL MATTERS" "- 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 the Repository. If the document incorporated by reference is a final official statement, it must be available from the Repository. 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 Depository.

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 Repository, 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), except that the capacity of the Issuer to enter into this Disclosure Agreement and its enforceability against the Issuer shall be governed by and construed in accordance with the laws of the State of South Carolina.

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.

[Signature page follows]

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: Diana O'Brien
Name: Diana O'Brien
Title: Vice President

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 Kubic
Title: Administrator

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 Refunding Bonds, Series 2010C, \$8,125,000
Date of Issuance:	November 18, 2010
Date of Official Statement	November 4, 2010

CUSIP
No.

074347VC6
074347VD4
074347VE2
074347VF9
074347VG7
074347VH5
074347VJ1
074347VK8
074347VL6

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 Refunding Bonds, Series 2010C, \$8,125,000
Date of Issuance:	November 18, 2010
Date of Official Statement	November 4, 2010

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 November 18, 2010, 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: _____

REFUNDING TRUST AGREEMENT

This Refunding Trust Agreement (the "Agreement") dated November 18, 2010, by and between the Beaufort County, South Carolina (the "County") and Wells Fargo Bank, N.A. in Atlanta, Georgia, as escrow agent (the "Escrow Agent").

WITNESSETH:

The County has heretofore issued its \$25,100,000 original principal amount General Obligation Bonds, Series 2002, dated March 1, 2002 (the "2002 Bonds"). The 2002 Bonds maturing on February 1, 2014 through February 1, 2022 presently outstanding in the principal amount of \$8,075,000 (the "Bonds to be Refunded") will be refunded with a portion of the proceeds of the Bonds (hereinafter defined).

The County has authorized and issued its \$8,125,000 General Obligation Refunding Bonds, Series 2010C, dated November 18, 2010 (the "Bonds"), a portion of the proceeds of which will be deposited with the Escrow Agent pursuant to the provisions of Ordinance No. 2010/14 enacted by the County Council on September 13, 2010 (the "Ordinance"), in order to provide funds to effect the refunding of the Bonds to be Refunded. The County wishes to enter into this Agreement to carry out such purposes.

Now therefore, in consideration of the foregoing and of the mutual covenants herein set forth, the County and the Escrow Agent agree as follows:

SECTION 1. In order to secure the payment of the principal of and interest on the Bonds to be Refunded, the County hereby pledges and sets over to the Escrow Agent for deposit in the refunding trust fund (the "Refunding Trust Fund") created pursuant to Section 2 hereof, in trust for the benefit and security of the holders of the Bonds to be Refunded, subject to the terms and conditions hereinafter set forth, the sum of \$8,622,942.99 which was derived from a portion of the proceeds of the sale of the Bonds. The County represents that such sum (\$8,622,942.99) is an amount which, when invested as provided herein, will be sufficient to pay the interest due on the bonds on February 1, 2011, August 1, 2011, and the redemption price of the Bonds to be Refunded which will become due and payable on February 1, 2012.

Such amount shall be deposited by the Escrow Agent in the Refunding Trust Fund hereinafter referred to. The Escrow Agent acknowledges receipt of the foregoing amount on the date hereof.

SECTION 2. There is hereby established with the Escrow Agent a special and irrevocable trust fund designated the "Beaufort County, South Carolina, Refunding Trust Fund of 2010" (the "Refunding Trust Fund") to be held in the custody of the Escrow Agent as a trust fund separate and apart from all other funds of the County or of the Escrow Agent for the purposes set forth in Section 1 hereof.

Except as provided hereinafter with respect to funds in excess of the amounts required therefor, funds on deposit in the Refunding Trust Fund shall be used solely for the purposes set forth in Section 1.

SECTION 3. Concurrently with the execution of this Agreement, the Escrow Agent shall apply \$8,622,924.00 from the amounts deposited with it pursuant to Section 1 above to purchase from the Bureau of Public Debt on November 18, 2010, the obligations shown on Exhibit A hereto. The remaining \$0.99 shall be held in cash and uninvested.

All obligations purchased and held hereunder as shown on Exhibit A or any direct, non-callable United States Treasury Obligations substituted therefor in accordance with the provisions of this Agreement

are collectively referred to as "Government Obligations." Government Obligations shall not be deemed to include unit investment trusts and money market mutual funds.

The County represents that the Government Obligations shall earn interest and mature in such amounts and at such times as shall be necessary and sufficient, together with other funds held in the Refunding Trust Fund, to pay the principal of and interest on the Bonds to be Refunded as they respectively mature as set forth in Section 1 hereof.

SECTION 4. Upon the written direction of the County, subject to the conditions and limitations herein set forth, the Escrow Agent shall sell, transfer and request the redemption of or otherwise dispose of any of the Government Obligations purchased hereunto or reinvest the maturing principal of and interest on Government Obligations, provided that there are substituted therefore, or such reinvestment is made in, other Government Obligations as hereinafter provided. The County hereby covenant and agree that they will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which cause any of the Bonds to be Refunded to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder.

As directed by the County the Escrow Agent shall purchase such substituted Government Obligations with the proceeds derived from the sale, transfer, redemption or other disposition of Government Obligations held hereunder or with the maturing principal and interest of Government Obligations held hereunder. Any such sale, transfer, redemption or other disposition of Government Obligations or a purchase of Government Obligations with maturing principal or interest, and substitution under the provisions of this Section may be effected only by a simultaneous transaction and only if (a) an independent certified public accountant shall certify that the Government Obligations to be substituted, together with the Government Obligations which will continue to be held in the Refunding Trust Fund and cash on deposit in the Refunding Trust Fund, will earn interest and mature in such amounts and at such times together with any other funds held therein to provide sufficient moneys from such interest and maturing principal to pay when due, all principal of and interest on the Bonds to be Refunded which have not previously been paid, and (b) the Escrow Agent shall receive an unqualified opinion of nationally recognized bond counsel to the effect that such sale, transfer, redemption or other disposition or purchase, and substitution of, Government Obligations is permitted under the provision of this Agreement has been duly authorized by the County and will not cause the Bonds to be Refunded to be arbitrage bonds within the meaning of Section 148 of the Code, and the regulations thereunder or otherwise cause the interest on the Bonds to be Refunded or the Bonds to be included in gross income under Section 103 of the Code.

In the event that as a result of any such substitution, amounts available from the maturing principal of and income on the Government Obligations together with other funds on deposit in the Refunding Trust Fund exceed the amount required to pay the principal of and interest on the Bonds to be Refunded, such excess amounts shall be paid over to the County upon receipt by the Escrow Agent of a certificate from independent certified public accountant which shall set forth:

- (i) the amounts of any excess;
- (ii) the date on which such amounts become excess; and
- (iii) that if such excess amounts are withdrawn from the Refunding Trust Fund, the Government Obligations, income therefrom, and other funds held in the Refunding Trust Fund shall be sufficient to pay the principal of and interest on the Bonds to be Refunded, as and when the same become due and payable. Upon receipt of such certificate, the Escrow Agent shall pay at such time and from time to time the amounts certified to be excess on the dates such amounts become excess in accordance with such certificate.

SECTION 5. The Escrow Agent shall collect on the due dates thereof the principal and interest on the Government Obligations on deposit with it and shall transfer on or before the respective due dates thereof, to the Escrow Agent, as Paying Agent for the Bonds to be Refunded, sufficient moneys from the principal and interest so received and other funds held in the Refunding Trust Fund on each principal and interest payment date.

SECTION 6. The Government Obligations, moneys representing principal of and interest earned on Government Obligations and funds on deposit in the Refunding Trust Fund shall be subject to an express lien and trust for the benefit of the holders of the Bonds to be Refunded until used and applied in accordance with this Agreement.

SECTION 7. Pursuant to a letter dated November 18, 2010, the County has instructed the Escrow Agent to call the Bonds to be Refunded for redemption on February 1, 2012 and the Escrow Agent has acknowledged receipt of same. The Escrow Agent agrees to cause such redemption to be in given in accordance with the Ordinance of the County authorizing the 2002 Bonds and certifies that the provision made for the giving of such notice is satisfactory to it.

SECTION 8. The liability of the Escrow Agent to make the payments required by this Agreement with respect to the Bonds to be Refunded shall be limited to the trust funds on deposit in the Refunding Trust Fund. The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions hereof.

The Escrow Agent shall have no responsibility to any person in connection herewith except those persons specifically provided herein.

In the event of the Escrow Agent's failure to account for any of the funds received by it, the funds shall be and remain the property of the County in trust for the holders of the Bonds to be Refunded as herein provided; and if for any reason such funds cannot be identified, the assets of the Escrow Agent shall be impressed with a trust for the amount thereof and, to the fullest extent permitted by law, the County shall be entitled to a preferred claim upon such assets until such identification is made.

SECTION 9. The trust created hereby shall be irrevocable. This Agreement shall terminate when the moneys on deposit therein have been used to provide for the payment of the Bonds to be Refunded. The Escrow Agent shall thereupon be released and discharged with respect thereto. Any amounts held by the Escrow Agent after February 1, 2012, and not required to pay or to provide for the payment of the principal of and interest on the Bonds to be Refunded shall be paid over to the County.

SECTION 10. The County shall pay to the Escrow Agent a one-time fee of \$1,500.00 for its services as Escrow Agent for the Bonds to be Refunded, plus any reasonable expenses. Neither the County nor the Escrow Agent shall have any lien or claim whatsoever upon moneys in the Refunding Trust Fund for the payment of any such fees, compensation or expenses. The Escrow Agent agrees that such provision for payment is satisfactory to it.

SECTION 11. The Escrow Agent shall have no responsibility to the County or any other person in connection herewith except those responsibilities specifically provided herein and shall not be responsible for anything done or omitted to be done by it except for its own negligence, willful misconduct or other default in the performance of any obligation imposed on it hereunder. The Escrow Agent, except as herein specifically provided for, is not a party to, nor is it bound by or need give consideration to the terms or provisions of any other agreement or undertaking between the County and any other person, and the Escrow Agent assents to and is to give consideration only to the terms and provisions of this Agreement. Unless specifically provided herein, the Escrow Agent has no duty to determine to inquire into the happenings or occurrence of any event or contingency or the performance or failure of performance of the County with respect to arrangements or contracts with others, the Escrow Agent's sole duty hereunder being to safeguard the Refunding Trust Fund and to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any such event or contingency, the Escrow Agent may request from the County or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the County, among others, at any time.

SECTION 12. The Escrow Agent agrees to perform only the express duties and obligations imposed upon it by this Agreement.

The Escrow Agent may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the County and published once in a newspaper of general circulation in the State of South Carolina, and by first-class mail, postage pre-paid, to the respective holders of the Bonds to be Refunded, not less than 60 days before such resignation is scheduled to take effect. Such resignation shall take effect only upon the appointment of a new escrow agent, and such new escrow agent may be appointed by the County before the time scheduled by such notice, and such new escrow agent may then take over the duties and obligations thereof.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, executed by the holders of not less than 51% in aggregate principal amount of the Bonds to be Refunded then outstanding, such instruments to be filed with the County, and notice in writing given by such holders to the County and (unless all of the bondholders have consented to such removal) published once in a newspaper of general circulation in the State of South Carolina, and by first-class mail, postage pre-paid, to the respective holders of the Bonds to be Refunded, not less than 60 days before such removal is to take effect as stated in such instrument or instruments.

The Escrow Agent may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of the Escrow Agent, by any court of competent jurisdiction upon the application of the County or the holders of not less than 10% in aggregate principal amount of the Bonds to be Refunded to be then outstanding. Such removal shall take effect only upon the appointment of a new escrow agent and such new escrow agent must be appointed by the County before the time scheduled by such notice and such new escrow agent may then take over the duties and obligations thereof.

If Wells Fargo Bank, N.A. shall cease to be the Escrow Agent under this Agreement, then, upon appointment of a successor escrow agent, if requested by the County such Escrow Agent shall execute such agreements, assignments and other documents as shall be necessary to vest in such successor escrow trustee all the title, rights, duties and obligations of such Escrow Agent under this Agreement and in the Government Obligations deposited or to be deposited or received by the Escrow Agent under this

Agreement, and upon acceptance by such successor escrow agent of the trusts created hereunder, all further title, rights, duties and obligations of such bank under this Agreement shall cease and determine and be discharged, saving rights or liabilities thereto accrued to or by the County or the Escrow Agent.

Any corporation or association into which the Escrow Agent may be merged or with which it may be consolidated, or any corporation or association resulting from any merger, or any corporation or association succeeding to the business of the Escrow Agent, shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 13. If any one or more of the covenants or agreements provided in this Agreement on the part of the County or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. This Agreement may be amended to (a) correct language or to cure any ambiguity or defective provisions, omission, mistake or manifest error herein contained; (b) to provide for the deposit of additional cash and for securities in the Refunding Trust Fund.

SECTION 15. This Agreement shall be construed under the laws of the State of South Carolina.

SECTION 16. This Agreement may be executed in several counterparts; all or any of such shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

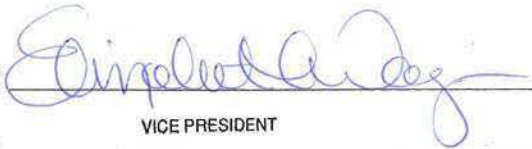
[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

BEAUFORT COUNTY, SOUTH CAROLINA

By:  _____
County Administrator

WELLS FARGO BANK, N.A. as Escrow Agent

By: 
VICE PRESIDENT

Its: _____

EXHIBIT A

GOVERNMENT OBLIGATIONS


(See attached)

REGISTRAR'S CERTIFICATE

Wells Fargo Bank, N.A., as Registrar for the \$8,125,000 General Obligation Refunding Bonds, Series 2010C, dated November 18, 2010 (the "Bonds"), 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 Bonds. The Registrar has authenticated the Bonds by having the Registrar's Certificate of Authentication signed by authorized officers of the Registrar and has delivered the Bonds to the Depository Trust Company in New York, New York for the account of Hutchinson, Shockey, Erley & Co.

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>
ELIZABETH T. WAGNER	VICE PRESIDENT	
_____	_____	_____
_____	_____	_____

3. The persons indicated above were at the time of the authentication of the Bonds 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 Bonds 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 18th day of November, 2010.



WELLS FARGO BANK, N.A., as Registrar

By:  _____
Its: _____ VICE PRESIDENT

CERTIFICATE AS TO ISSUE PRICE

This certificate is furnished by Hutchinson, Shockey, Erley & Co., the book-running senior manager of the underwriters of the \$8,125,000 General Obligation Refunding Bonds, Series 2010C (the "Bonds"), dated November 18, 2010, of Beaufort County, South Carolina, to establish the "issue price" of the Bonds 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 Bonds of each maturity to the public in a bona fide offering at the initial offering prices or yields (expressed as a percentage of principal amount and exclusive of accrued interest) set forth below (the "Initial Offering Prices").

<u>Year</u> <u>Maturity</u>	<u>Principal Amount</u> <u>Maturing</u>	<u>Reoffering Price</u>	<u>Yield</u>
2014	\$ 805,000	103.336%	0.94%
2015	825,000	103.685	1.10
2016	840,000	102.999	1.40
2017	860,000	107.559	1.71
2018	895,000	106.675	2.00
2019	925,000	105.587	2.25
2020	950,000	112.260	2.50
2021	990,000	111.145	2.74
2022	1,035,000	110.655	2.88

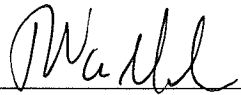
2. At the time (November 4, 2010, the "Sale Date") the Bonds were awarded to us at a competitive sale, the Underwriter reasonably expected to sell at least 10% of the aggregate face amount of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at the Initial Offering Prices.

3. For purposes herein, the undersigned has determined the aggregate reoffering price of the Bonds to be \$8,720,960.80 representing the sum of (a) the aggregate principal amount of the Bonds equal to \$8,125,000.00 plus an original issue premium of \$595,960.80. The price paid for the Bonds does not exceed the fair market value of such Bonds as of the Sale Date.

4. No Bonds were sold in exchange property.

Signed this 18th day of November, 2010.

HUTCHINSON, SHOCKEY, ERLEY & CO.

By: 
Its: SVP

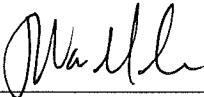
PURCHASER'S RECEIPT FOR THE BONDS

Hutchinson, Shockey, Erley & Co. hereby acknowledges receipt of the \$8,125,000 General Obligation Refunding Bonds, Series 2010C, of Beaufort County, South Carolina (the "Bonds"). The Bonds are in fully-registered form, dated November 18, 2010, in denominations of \$5,000 or any integral multiple thereof, bearing interest from their date payable semiannually on February 1 and August 1 of each year commencing February 1, 2011, at the rates per annum set forth below, and mature serially in successive annual installments on February 1 each of the years and in the principal amounts as follows:

<u>February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$ 805,000	2.00%
2015	825,000	2.00
2016	840,000	2.00
2017	860,000	3.00
2018	895,000	3.00
2019	925,000	3.00
2020	950,000	4.00
2021	990,000	4.00
2022	1,035,000	4.00

The Bonds are not subject to redemption prior to their stated maturities.

HUTCHINSON, SHOCKEY & ERLEY & CO.

By: 

Its: SVP

Dated: November 18, 2010

November 18, 2010

Beaufort County, South Carolina
Beaufort, South Carolina

BEAUFORT COUNTY, SOUTH CAROLINA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C
\$8,125,000

We have served as bond counsel for Beaufort County, South Carolina (the "County") in connection with the issuance of \$8,125,000 General Obligation Refunding Bonds, Series 2010C dated November 18, 2010 (the "Bonds"). 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 representations of the County contained in the Ordinance of the County authorizing the Bonds and the Federal Tax Certificate of the County dated the date hereof, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the Bonds have been duly authorized, executed and delivered by all parties thereto other than the County, and we have further assumed the due organization, existence and powers of such other parties other than the County.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the County or the purchaser of the Bonds in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the Bonds and the Ordinance for a further description of the Bonds the purposes for which the Bonds are issued, the uses of the proceeds from the sale of the Bonds and the security therefor.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been authorized and executed by the County and are valid and binding general obligations of the County.

McNair Law Firm, P. A.
1221 Main 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

2. The County has power and is obligated to levy and collect annually upon all taxable property of the County an ad valorem tax, without limitation as to rate or amount, sufficient to pay the principal and interest of the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary to provide for the prompt payment thereof.

3. Interest on the Bonds 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 Bonds 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 Bonds to be included in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

4. Under the laws of the State of South Carolina, the Bonds 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 Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds 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 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds 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.

STANDARD & POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
reference no.: 1146836

October 26, 2010

Beaufort County
P.O. Drawer 1228
Beaufort, SC 29901
Attention: Mr. Gary Kubic, County Administrator

Re: *US\$7,745,000 Beaufort County, South Carolina, General Obligation Refunding Bonds, Series 2010C, dated: Date of Delivery, due: February 1, 2014-2022*

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 "AA+". Standard & Poor's views the outlook for this rating as stable. 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
October 26, 2010

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. If we can be of help in any other way, please call or contact us at 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 Standard & Poor's Financial Services LLC business

md
enclosures

cc: Mr. Brian G. Nurick
Francenia B. Heizer, Esq.

STANDARD
& POOR'S

AMTEC

TAX-EXEMPT COMPLIANCE

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010C
BEAUFORT COUNTY, SOUTH CAROLINA**

CASH FLOW AND YIELD VERIFICATION REPORT

AMTEC

TAX-EXEMPT COMPLIANCE

Beaufort County, South Carolina (the "County")
Beaufort, South Carolina

McNair Law Firm, P.A. ("Bond Counsel")
Columbia, South Carolina

Wells Fargo Bank, N.A. (the "Trustee")
Atlanta, Georgia

Ross, Sinclaire & Associates, LLC (the "Financial Advisor")
Columbia, South Carolina

General Obligation Refunding Bonds, Series 2010C Beaufort County, South Carolina

Beaufort County, South Carolina proposes to issue the above referenced bonds (the "Bonds"), dated November 18, 2010, which are assumed to settle on November 18, 2010. The Bonds consist of \$8,125,000 Serial Bonds.

A portion of the proceeds of the Bonds will be used to purchase United States Treasury Securities -- State and Local Government Series (the "Restricted Acquired Obligations"), together with an initial cash deposit, which will be placed in an irrevocable trust (the "Escrow Fund"), to be used solely to refund that portion of the County's General Obligation Bonds, Series 2002 (the "Refunded Bonds") described below.

<u>Series</u>	<u>Principal Issued</u>	<u>Dated</u>	<u>Principal Refunded</u>	<u>Maturities Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2002	\$25,100,000	March 1, 2002	\$8,075,000	2/1/14 to 2/1/22	2/1/12	100%

At your request, we have independently calculated, based on information and assumptions as provided to us by the Financial Advisor: (1) the sufficiency of the receipts from the Restricted Acquired Obligations, when combined with the initial cash deposit, to pay to and at maturity or early redemption, the principal and interest on the Refunded Bonds; and, (2) the "yields" to be considered by Bond Counsel in its determination that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended. The term "yield" as used herein, means that discount rate which, when used in computing the present value of all payments of principal and interest on an obligation compounded semiannually using a 30/360-day year basis, produces an amount equal to: in the case of the Restricted Acquired Obligations, the purchase price of such securities; and, in the case of the Bonds, the par amount, plus the net original issue premium.

AMTEC

TAX-EXEMPT COMPLIANCE

At your request, we have independently verified the arithmetical accuracy of the computations based on schedules provided to us by the Financial Advisor. We have relied solely on the assumptions and information as provided to us by the Financial Advisor and have not made any study or evaluation of them, except as noted below. We express no opinion on the reasonableness of the assumptions, or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in the accompanying Exhibits.

In the course of our engagement, we used excerpts from the Official Statement for the Refunded Bonds, the Official Statement for the Bonds and copies of the final subscription forms for the purchase of the Restricted Acquired Obligations as provided by the Financial Advisor. We compared the information on the Bonds, the Refunded Bonds and the Restricted Acquired Obligations as provided by the Financial Advisor with certain information set forth in such documents with respect to prices, principal payment dates and amounts, interest payment dates and rates, yields, and redemption dates and prices. We found that the information on the Bonds, the Refunded Bonds and the Restricted Acquired Obligations as provided by the Financial Advisor was in agreement with the above-mentioned information set forth in such documents. In addition, we have verified that, based upon the table of interest rates payable on United States Treasury Securities -- State and Local Government Series for use on November 4, 2010, the interest rates payable on the Restricted Acquired Obligations are at or below the maximum allowable interest rate for each maturity date.

In our opinion, based on the assumptions and information provided by the Financial Advisor, the computations in the schedules provided to us are arithmetically accurate. The computations in the accompanying Exhibits prepared by us, based upon the escrow securities and deposits to be made as described in the escrow agreement as provided to us by the Financial Advisor, indicate that:

- (1) the receipts from the Restricted Acquired Obligations, together with an initial cash deposit of \$0.99, will be sufficient to pay to and at maturity or early redemption, the principal and interest on the Refunded Bonds.
- (2) the yield of the Bonds is 2.2255572%; the yield of the Restricted Acquired Obligations is 0.1994642%.
- (3) we independently tested the different redemption scenarios and verified that the computation provided by the Financial Advisor produces the lowest yield on the Bonds.
- (4) the net present value savings is \$858,654.77, when discounted at the yield of the Bonds, and the percentage of net present value savings based on the Refunded Bonds is 10.633496%.
- (5) the information on the SLGS Confirmation of Subscription has been verified as being in agreement with the attached schedules provided by the Financial Advisor.

AMTEC

TAX-EXEMPT COMPLIANCE

This report is intended solely for the use of the County, Bond Counsel, the Trustee and the Financial Advisor, and it should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. The terms of our engagement are such that we have no obligation to update this report or to verify any revised computations because of events and transactions occurring subsequent to the date of this report.



West Hartford, Connecticut
November 18, 2010

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Beaufort County, South Carolina

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SOURCES AND USES OF FUNDSGeneral Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Dated Date	11/18/2010
Delivery Date	11/18/2010

Sources:

Bond Proceeds:	
Par Amount	8,125,000.00
Premium	595,960.80
	<hr/>
	8,720,960.80

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.99
SLGS Purchases	8,622,942.00
	<hr/>
	8,622,942.99
Delivery Date Expenses:	
Cost of Issuance	59,430.51
Underwriter's Discount	38,587.30
	<hr/>
	98,017.81
	<hr/>
	8,720,960.80

BOND SUMMARY STATISTICS

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Dated Date	11/18/2010
Delivery Date	11/18/2010
Last Maturity	02/01/2022
Arbitrage Yield	2.225557%
True Interest Cost (TIC)	2.292673%
Net Interest Cost (NIC)	2.406951%
All-In TIC	2.396779%
Average Coupon	3.332473%
Average Life (years)	7.412
Duration of Issue (years)	6.679
Par Amount	8,125,000.00
Bond Proceeds	8,720,960.80
Total Interest	2,006,901.11
Net Interest	1,449,527.61
Total Debt Service	10,131,901.11
Maximum Annual Debt Service	1,076,400.00
Average Annual Debt Service	904,409.72
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	4.749206
Total Underwriter's Discount	4.749206
Bid Price	106.859982

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	8,125,000.00	107.335	3.332%	7.412
	8,125,000.00			7.412

	TIC	All-In TIC	Arbitrage Yield
Par Value	8,125,000.00	8,125,000.00	8,125,000.00
+ Accrued Interest			
+ Premium (Discount)	595,960.80	595,960.80	595,960.80
- Underwriter's Discount	-38,587.30	-38,587.30	
- Cost of Issuance Expense		-59,430.51	
- Other Amounts			
Target Value	8,682,373.50	8,622,942.99	8,720,960.80
Target Date	11/18/2010	11/18/2010	11/18/2010
Yield	2.292673%	2.396779%	2.225557%

BOND PRICING

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:					
	02/01/2014	805,000	2.000%	0.940%	103.336
	02/01/2015	825,000	2.000%	1.100%	103.685
	02/01/2016	840,000	2.000%	1.400%	102.999
	02/01/2017	860,000	3.000%	1.710%	107.559
	02/01/2018	895,000	3.000%	2.000%	106.675
	02/01/2019	925,000	3.000%	2.250%	105.587
	02/01/2020	950,000	4.000%	2.500%	112.260
	02/01/2021	990,000	4.000%	2.740%	111.145
	02/01/2022	1,035,000	4.000%	2.880%	110.655
		8,125,000			

Dated Date	11/18/2010	
Delivery Date	11/18/2010	
First Coupon	02/01/2011	
Par Amount	8,125,000.00	
Premium	595,960.80	
Production	8,720,960.80	107.334902%
Underwriter's Discount	-38,587.30	-0.474921%
Purchase Price	8,682,373.50	106.859982%
Accrued Interest		
Net Proceeds	8,682,373.50	

BOND DEBT SERVICE

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Dated Date 11/18/2010
Delivery Date 11/18/2010

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2011			50,451.11	50,451.11	
06/30/2011					50,451.11
08/01/2011			124,400.00	124,400.00	
02/01/2012			124,400.00	124,400.00	
06/30/2012					248,800.00
08/01/2012			124,400.00	124,400.00	
02/01/2013			124,400.00	124,400.00	
06/30/2013					248,800.00
08/01/2013			124,400.00	124,400.00	
02/01/2014	805,000	2.000%	124,400.00	929,400.00	
06/30/2014					1,053,800.00
08/01/2014			116,350.00	116,350.00	
02/01/2015	825,000	2.000%	116,350.00	941,350.00	
06/30/2015					1,057,700.00
08/01/2015			108,100.00	108,100.00	
02/01/2016	840,000	2.000%	108,100.00	948,100.00	
06/30/2016					1,056,200.00
08/01/2016			99,700.00	99,700.00	
02/01/2017	860,000	3.000%	99,700.00	959,700.00	
06/30/2017					1,059,400.00
08/01/2017			86,800.00	86,800.00	
02/01/2018	895,000	3.000%	86,800.00	981,800.00	
06/30/2018					1,068,600.00
08/01/2018			73,375.00	73,375.00	
02/01/2019	925,000	3.000%	73,375.00	998,375.00	
06/30/2019					1,071,750.00
08/01/2019			59,500.00	59,500.00	
02/01/2020	950,000	4.000%	59,500.00	1,009,500.00	
06/30/2020					1,069,000.00
08/01/2020			40,500.00	40,500.00	
02/01/2021	990,000	4.000%	40,500.00	1,030,500.00	
06/30/2021					1,071,000.00
08/01/2021			20,700.00	20,700.00	
02/01/2022	1,035,000	4.000%	20,700.00	1,055,700.00	
06/30/2022					1,076,400.00
	8,125,000		2,006,901.11	10,131,901.11	10,131,901.11

PROOF OF ARBITRAGE YIELD

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Date	Debt Service	Present Value to 11/18/2010 @ 2.2255572%
02/01/2011	50,451.11	50,225.19
08/01/2011	124,400.00	122,480.01
02/01/2012	124,400.00	121,132.08
08/01/2012	124,400.00	119,798.98
02/01/2013	124,400.00	118,480.56
08/01/2013	124,400.00	117,176.64
02/01/2014	929,400.00	865,799.40
08/01/2014	116,350.00	107,195.10
02/01/2015	941,350.00	857,736.02
08/01/2015	108,100.00	97,414.18
02/01/2016	948,100.00	844,976.40
08/01/2016	99,700.00	87,877.87
02/01/2017	959,700.00	836,592.25
08/01/2017	86,800.00	74,832.80
02/01/2018	981,800.00	837,123.01
08/01/2018	73,375.00	61,874.02
02/01/2019	998,375.00	832,621.95
08/01/2019	59,500.00	49,075.54
02/01/2020	1,009,500.00	823,471.16
08/01/2020	40,500.00	32,673.15
02/01/2021	1,030,500.00	822,200.95
08/01/2021	20,700.00	16,334.07
02/01/2022	1,055,700.00	823,869.47
	10,131,901.11	8,720,960.80

Proceeds Summary

Delivery date	11/18/2010
Par Value	8,125,000.00
Premium (Discount)	595,960.80
Target for yield calculation	8,720,960.80

PRIOR BOND DEBT SERVICE

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2011			189,359.38	189,359.38	
06/30/2011					189,359.38
08/01/2011			189,359.38	189,359.38	
02/01/2012			189,359.38	189,359.38	
06/30/2012					378,718.76
08/01/2012			189,359.38	189,359.38	
02/01/2013			189,359.38	189,359.38	
06/30/2013					378,718.76
08/01/2013			189,359.38	189,359.38	
02/01/2014	735,000	4.375%	189,359.38	924,359.38	
06/30/2014					1,113,718.76
08/01/2014			173,281.25	173,281.25	
02/01/2015	770,000	4.375%	173,281.25	943,281.25	
06/30/2015					1,116,562.50
08/01/2015			156,437.50	156,437.50	
02/01/2016	805,000	4.500%	156,437.50	961,437.50	
06/30/2016					1,117,875.00
08/01/2016			138,325.00	138,325.00	
02/01/2017	845,000	4.625%	138,325.00	983,325.00	
06/30/2017					1,121,650.00
08/01/2017			118,784.38	118,784.38	
02/01/2018	890,000	4.750%	118,784.38	1,008,784.38	
06/30/2018					1,127,568.76
08/01/2018			97,646.88	97,646.88	
02/01/2019	935,000	4.750%	97,646.88	1,032,646.88	
06/30/2019					1,130,293.76
08/01/2019			75,440.63	75,440.63	
02/01/2020	980,000	4.875%	75,440.63	1,055,440.63	
06/30/2020					1,130,881.26
08/01/2020			51,553.13	51,553.13	
02/01/2021	1,030,000	4.875%	51,553.13	1,081,553.13	
06/30/2021					1,133,106.26
08/01/2021			26,446.88	26,446.88	
02/01/2022	1,085,000	4.875%	26,446.88	1,111,446.88	
06/30/2022					1,137,893.76
	8,075,000		3,001,346.96	11,076,346.96	11,076,346.96

SUMMARY OF BONDS REFUNDED

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Bonds, Series 2002:					
SERIAL	02/01/2014	4.375%	735,000.00	02/01/2012	100.000
	02/01/2015	4.375%	770,000.00	02/01/2012	100.000
	02/01/2016	4.500%	805,000.00	02/01/2012	100.000
	02/01/2017	4.625%	845,000.00	02/01/2012	100.000
	02/01/2018	4.750%	890,000.00	02/01/2012	100.000
	02/01/2019	4.750%	935,000.00	02/01/2012	100.000
	02/01/2020	4.875%	980,000.00	02/01/2012	100.000
	02/01/2021	4.875%	1,030,000.00	02/01/2012	100.000
	02/01/2022	4.875%	1,085,000.00	02/01/2012	100.000
			8,075,000.00		

ESCROW REQUIREMENTS

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Period Ending	Interest	Principal Redeemed	Total
02/01/2011	189,359.38		189,359.38
08/01/2011	189,359.38		189,359.38
02/01/2012	189,359.38	8,075,000.00	8,264,359.38
	568,078.14	8,075,000.00	8,643,078.14

ESCROW DESCRIPTIONS

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Nov 18, 2010:						
SLGS	Certificate	02/01/2011	02/01/2011	185,952	0.110%	0.110%
SLGS	Certificate	08/01/2011	08/01/2011	180,887	0.170%	0.170%
SLGS	Note	02/01/2012	02/01/2011	8,256,103	0.200%	0.200%
				8,622,942		

SLGS Summary

Total Certificates of Indebtedness	366,839.00
Total Notes	8,256,103.00
Total original SLGS	8,622,942.00

ESCROW COST

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	02/01/2011	185,952	0.110%	185,952.00
SLGS	08/01/2011	180,887	0.170%	180,887.00
SLGS	02/01/2012	8,256,103	0.200%	8,256,103.00
		8,622,942		8,622,942.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
11/18/2010	8,622,942	0.99	8,622,942.99	0.199464%
	8,622,942	0.99	8,622,942.99	

ESCROW CASH FLOW

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Date	Principal	Interest	Net Escrow Receipts	Present Value to 11/18/2010 @ 0.1994642%
02/01/2011	185,952.00	3,407.28	189,359.28	189,282.74
08/01/2011	180,887.00	8,471.77	189,358.77	189,093.65
02/01/2012	8,256,103.00	8,256.10	8,264,359.10	8,244,565.61
	8,622,942.00	20,135.15	8,643,077.15	8,622,942.00

Escrow Cost Summary

Purchase date	11/18/2010
Purchase cost of securities	8,622,942.00
Target for yield calculation	8,622,942.00

ESCROW SUFFICIENCY

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
11/18/2010		0.99	0.99	0.99
02/01/2011	189,359.38	189,359.28	-0.10	0.89
08/01/2011	189,359.38	189,358.77	-0.61	0.28
02/01/2012	8,264,359.38	8,264,359.10	-0.28	
	8,643,078.14	8,643,078.14	0.00	

SUMMARY OF REFUNDING RESULTS

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Dated Date	11/18/2010
Delivery Date	11/18/2010
Arbitrage yield	2.225557%
Escrow yield	0.199464%
Bond Par Amount	8,125,000.00
True Interest Cost	2.292673%
Net Interest Cost	2.406951%
All-In TIC	2.396779%
Average Coupon	3.332473%
Average Life	7.412
Par amount of refunded bonds	8,075,000.00
Average coupon of refunded bonds	4.752662%
Average life of refunded bonds	7.527
PV of prior debt to 11/18/2010 @ 2.225557%	9,579,615.57
Net PV Savings	858,654.77
Percentage savings of refunded bonds	10.633496%
Percentage savings of refunding bonds	10.568059%

SAVINGS

General Obligation Refunding Bonds, Series 2010C
Beaufort County, South Carolina

Date	Prior Debt Service	Refunding Debt Service	Refunding Adjustments	Refunding Net Cash Flow	Savings	Present Value to 11/18/2010 @ 2.2255572%
06/30/2011	2,309,262.51	50,451.11	2,119,903.13	2,170,354.24	138,908.27	138,286.25
06/30/2012	1,111,525.02	248,800.00	732,806.26	981,606.26	129,918.76	127,209.73
06/30/2013	1,113,681.26	248,800.00	734,962.50	983,762.50	129,918.76	124,425.17
06/30/2014	1,113,718.76	1,053,800.00		1,053,800.00	59,918.76	56,491.79
06/30/2015	1,116,562.50	1,057,700.00		1,057,700.00	58,862.50	54,211.38
06/30/2016	1,117,875.00	1,056,200.00		1,056,200.00	61,675.00	55,446.07
06/30/2017	1,121,650.00	1,059,400.00		1,059,400.00	62,250.00	54,639.41
06/30/2018	1,127,568.76	1,068,600.00		1,068,600.00	58,968.76	50,582.65
06/30/2019	1,130,293.76	1,071,750.00		1,071,750.00	58,543.76	49,049.41
06/30/2020	1,130,881.26	1,069,000.00		1,069,000.00	61,881.26	50,622.59
06/30/2021	1,133,106.26	1,071,000.00		1,071,000.00	62,106.26	49,650.61
06/30/2022	1,137,893.76	1,076,400.00		1,076,400.00	61,493.76	48,039.71
	14,664,018.85	10,131,901.11	3,587,671.89	13,719,573.00	944,445.85	858,654.77

Savings Summary

PV of savings from cash flow	858,654.77
Net PV Savings	858,654.77

Appendix I

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Sources & Uses

Dated 11/18/2010 | Delivered 11/18/2010

Sources Of Funds

Par Amount of Bonds	\$8,125,000.00
Reoffering Premium	595,960.80

Total Sources	\$8,720,960.80
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Uses Of Funds

Total Underwriter's Discount (0.475%)	38,587.30
Costs of Issuance	59,430.51
Deposit to Net Cash Escrow Fund	8,622,942.99

Total Uses	\$8,720,960.80
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2010C (E) REF FINAL | SINGLE PURPOSE | 11/4/2010 | 11:09 AM

Ross, Sinclair & Associates, LLC
Public Finance - BNurick

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2014	Serial Coupon	2.000%	0.940%	805,000.00	103.336%	831,854.80
02/01/2015	Serial Coupon	2.000%	1.100%	825,000.00	103.685%	855,401.25
02/01/2016	Serial Coupon	2.000%	1.400%	840,000.00	102.999%	865,191.60
02/01/2017	Serial Coupon	3.000%	1.710%	860,000.00	107.559%	925,007.40
02/01/2018	Serial Coupon	3.000%	2.000%	895,000.00	106.675%	954,741.25
02/01/2019	Serial Coupon	3.000%	2.250%	925,000.00	105.587%	976,679.75
02/01/2020	Serial Coupon	4.000%	2.500%	950,000.00	112.260%	1,066,470.00
02/01/2021	Serial Coupon	4.000%	2.740%	990,000.00	111.145%	1,100,335.50
02/01/2022	Serial Coupon	4.000%	2.880%	1,035,000.00	110.655%	1,145,279.25
Total	-	-	-	\$8,125,000.00	-	\$8,720,960.80

Bid Information

Par Amount of Bonds	\$8,125,000.00
Reoffering Premium or (Discount)	595,960.80
Gross Production	\$8,720,960.80
Total Underwriter's Discount (0.475%)	\$(38,587.30)
Bid (106.860%)	8,682,373.50
Total Purchase Price	\$8,682,373.50
Bond Year Dollars	\$60,222.57
Average Life	7.412 Years
Average Coupon	3.3324734%
Net Interest Cost (NIC)	2.4069508%
True Interest Cost (TIC)	2.2926726%

2010C (E) REF FINAL | SINGLE PURPOSE | 11/4/2010 | 11:09 AM

Ross, Sinclair & Associates, LLC

Public Finance - BNurick

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
02/01/2011	-	-	50,451.11	50,451.11
08/01/2011	-	-	124,400.00	124,400.00
02/01/2012	-	-	124,400.00	124,400.00
08/01/2012	-	-	124,400.00	124,400.00
02/01/2013	-	-	124,400.00	124,400.00
08/01/2013	-	-	124,400.00	124,400.00
02/01/2014	805,000.00	2.000%	124,400.00	929,400.00
08/01/2014	-	-	116,350.00	116,350.00
02/01/2015	825,000.00	2.000%	116,350.00	941,350.00
08/01/2015	-	-	108,100.00	108,100.00
02/01/2016	840,000.00	2.000%	108,100.00	948,100.00
08/01/2016	-	-	99,700.00	99,700.00
02/01/2017	860,000.00	3.000%	99,700.00	959,700.00
08/01/2017	-	-	86,800.00	86,800.00
02/01/2018	895,000.00	3.000%	86,800.00	981,800.00
08/01/2018	-	-	73,375.00	73,375.00
02/01/2019	925,000.00	3.000%	73,375.00	998,375.00
08/01/2019	-	-	59,500.00	59,500.00
02/01/2020	950,000.00	4.000%	59,500.00	1,009,500.00
08/01/2020	-	-	40,500.00	40,500.00
02/01/2021	990,000.00	4.000%	40,500.00	1,030,500.00
08/01/2021	-	-	20,700.00	20,700.00
02/01/2022	1,035,000.00	4.000%	20,700.00	1,055,700.00
Total	\$8,125,000.00	-	\$2,006,901.11	\$10,131,901.11

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Debt Service Schedule

Part 2 of 2

Yield Statistics

Bond Year Dollars	\$60,222.57
Average Life	7.412 Years
Average Coupon	3.3324734%
Net Interest Cost (NIC)	2.4069508%
True Interest Cost (TIC)	2.2926726%
Bond Yield for Arbitrage Purposes	2.2255572%
All Inclusive Cost (AIC)	2.3967792%

IRS Form 8038

Net Interest Cost	2.1620998%
Weighted Average Maturity	7.483 Years

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Debt Service Comparison

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
06/30/2011	50,451.11	2,119,903.12	2,170,354.23	2,309,262.50	138,908.27
06/30/2012	248,800.00	732,806.24	981,606.24	1,111,525.00	129,918.76
06/30/2013	248,800.00	734,962.50	983,762.50	1,113,681.26	129,918.76
06/30/2014	1,053,800.00	-	1,053,800.00	1,113,718.76	59,918.76
06/30/2015	1,057,700.00	-	1,057,700.00	1,116,562.50	58,862.50
06/30/2016	1,056,200.00	-	1,056,200.00	1,117,875.00	61,675.00
06/30/2017	1,059,400.00	-	1,059,400.00	1,121,650.00	62,250.00
06/30/2018	1,068,600.00	-	1,068,600.00	1,127,568.76	58,968.76
06/30/2019	1,071,750.00	-	1,071,750.00	1,130,293.76	58,543.76
06/30/2020	1,069,000.00	-	1,069,000.00	1,130,881.26	61,881.26
06/30/2021	1,071,000.00	-	1,071,000.00	1,133,106.26	62,106.26
06/30/2022	1,076,400.00	-	1,076,400.00	1,137,893.76	61,493.76
Total	\$10,131,901.11	\$3,587,671.86	\$13,719,572.97	\$14,664,018.82	\$944,445.85

PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 2.226%(Bond Yield) 858,654.77

Net Present Value Benefit \$858,654.77

Net PV Benefit / \$8,075,000 Refunded Principal 10.633%

Net PV Benefit / \$8,125,000 Refunding Principal 10.568%

Refunding Bond Information

Refunding Dated Date 11/18/2010

Refunding Delivery Date 11/18/2010

2010C (E) REF FINAL | SINGLE PURPOSE | 11/ 4/2010 | 11:09 AM

Ross, Sinclaire & Associates, LLC

Public Finance - BNurick

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Proof Of Bond Yield @ 2.2255572%

Part 1 of 2

Date	Cashflow	PV Factor	Present Value	Cumulative PV
11/18/2010	-	1.0000000x	-	-
02/01/2011	50,451.11	0.9955220x	50,225.19	50,225.19
08/01/2011	124,400.00	0.9845660x	122,480.01	172,705.20
02/01/2012	124,400.00	0.9737305x	121,132.08	293,837.28
08/01/2012	124,400.00	0.9630143x	119,798.98	413,636.26
02/01/2013	124,400.00	0.9524160x	118,480.56	532,116.82
08/01/2013	124,400.00	0.9419344x	117,176.64	649,293.46
02/01/2014	929,400.00	0.9315681x	865,799.40	1,515,092.86
08/01/2014	116,350.00	0.9213159x	107,195.10	1,622,287.96
02/01/2015	941,350.00	0.9111765x	857,736.02	2,480,023.98
08/01/2015	108,100.00	0.9011487x	97,414.18	2,577,438.16
02/01/2016	948,100.00	0.8912313x	844,976.40	3,422,414.55
08/01/2016	99,700.00	0.8814230x	87,877.87	3,510,292.43
02/01/2017	959,700.00	0.8717227x	836,592.25	4,346,884.67
08/01/2017	86,800.00	0.8621291x	74,832.80	4,421,717.48
02/01/2018	981,800.00	0.8526411x	837,123.01	5,258,840.49
08/01/2018	73,375.00	0.8432575x	61,874.02	5,320,714.50
02/01/2019	998,375.00	0.8339772x	832,621.95	6,153,336.46
08/01/2019	59,500.00	0.8247990x	49,075.54	6,202,412.00
02/01/2020	1,009,500.00	0.8157218x	823,471.16	7,025,883.16
08/01/2020	40,500.00	0.8067445x	32,673.15	7,058,556.31
02/01/2021	1,030,500.00	0.7978660x	822,200.95	7,880,757.26
08/01/2021	20,700.00	0.7890853x	16,334.07	7,897,091.33
02/01/2022	1,055,700.00	0.7804011x	823,869.47	8,720,960.80
Total	\$10,131,901.11	-	\$8,720,960.80	-

2010C (E) REF FINAL | SINGLE PURPOSE | 11/ 4/2010 | 11:09 AM

Ross, Sinclair & Associates, LLC

Public Finance - BNurick

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Proof Of Bond Yield @ 2.2255572%

Part 2 of 2

Derivation Of Target Amount

Par Amount of Bonds	\$8,125,000.00
Reoffering Premium or (Discount)	595,960.80
Original Issue Proceeds	\$8,720,960.80

2010C (E) REF FINAL | SINGLE PURPOSE | 11/ 4/2010 | 11:09 AM

Ross, Sinclair & Associates, LLC

Public Finance - BNurick

Beaufort County

General Obligation Bonds, Series 2002

(Eight Percent Debt)

Total Refunded Debt Service

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
02/01/2011	-	4.000%	189,359.38	189,359.38
08/01/2011	-	-	189,359.38	189,359.38
02/01/2012	-	4.125%	189,359.38	189,359.38
08/01/2012	-	-	189,359.38	189,359.38
02/01/2013	-	4.250%	189,359.38	189,359.38
08/01/2013	-	-	189,359.38	189,359.38
02/01/2014	735,000.00	4.375%	189,359.38	924,359.38
08/01/2014	-	-	173,281.25	173,281.25
02/01/2015	770,000.00	4.375%	173,281.25	943,281.25
08/01/2015	-	-	156,437.50	156,437.50
02/01/2016	805,000.00	4.500%	156,437.50	961,437.50
08/01/2016	-	-	138,325.00	138,325.00
02/01/2017	845,000.00	4.625%	138,325.00	983,325.00
08/01/2017	-	-	118,784.38	118,784.38
02/01/2018	890,000.00	4.750%	118,784.38	1,008,784.38
08/01/2018	-	-	97,646.88	97,646.88
02/01/2019	935,000.00	4.750%	97,646.88	1,032,646.88
08/01/2019	-	-	75,440.63	75,440.63
02/01/2020	980,000.00	4.875%	75,440.63	1,055,440.63
08/01/2020	-	-	51,553.13	51,553.13
02/01/2021	1,030,000.00	4.875%	51,553.13	1,081,553.13
08/01/2021	-	-	26,446.88	26,446.88
02/01/2022	1,085,000.00	4.875%	26,446.88	1,111,446.88
Total	\$8,075,000.00	-	\$3,001,346.96	\$11,076,346.96

2002 (E) | SINGLE PURPOSE | 11/4/2010 | 11:09 AM

Ross, Sinclair & Associates, LLC

Public Finance - BNurick

Beaufort County

General Obligation Bonds, Series 2002

(Eight Percent Debt)

Total Refunded Debt Service

Part 2 of 2

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/18/2010
Average Life	7.527 Years
Average Coupon	4.7526618%
Weighted Average Maturity (Par Basis)	7.527 Years

Refunding Bond Information

Refunding Dated Date	11/18/2010
Refunding Delivery Date	11/18/2010

2002 (E) | SINGLE PURPOSE | 11/4/2010 | 11:09 AM

Ross, Sinclair & Associates, LLC
Public Finance - BNurick

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
11/18/2010	-	-	-	0.99	-	0.99
02/01/2011	185,952.00	0.110%	3,407.28	189,359.28	189,359.38	0.89
08/01/2011	180,887.00	0.170%	8,471.77	189,358.77	189,359.38	0.28
02/01/2012	8,256,103.00	0.200%	8,256.10	8,264,359.10	8,264,359.38	-
Total	\$8,622,942.00	-	\$20,135.15	\$8,643,078.14	\$8,643,078.14	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	0.99
Cost of Investments Purchased with Bond Proceeds	8,622,942.00
Total Cost of Investments	\$8,622,942.99
Target Cost of Investments at bond yield	\$8,422,207.37
Actual positive or (negative) arbitrage	(200,735.62)
Yield to Receipt	0.1994642%
Yield for Arbitrage Purposes	2.2255572%
State and Local Government Series (SLGS) rates for	11/04/2010

2010C (E) REF FINAL | SINGLE PURPOSE | 11/ 4/2010 | 11:09 AM

Ross, Sinclair & Associates, LLC
Public Finance - BNurick

Beaufort County

General Obligation Refunding Bonds, Series 2010C

FINAL: Sold to Hutchinson Shockey on 11.04.10 - Delivery on 11.18.10

(Eight Percent Debt)

Escrow Summary Cost

Maturity	Type	Coupon	Yield	\$ Price	Par Amount	Principal Cost	+Accrued Interest	= Total Cost
Escrow								
02/01/2011	SLGS-CI	0.110%	0.110%	100.0000000%	185,952	185,952.00	-	185,952.00
08/01/2011	SLGS-CI	0.170%	0.170%	100.0000000%	180,887	180,887.00	-	180,887.00
02/01/2012	SLGS-NT	0.200%	0.200%	100.0000000%	8,256,103	8,256,103.00	-	8,256,103.00
Subtotal		-	-	-	\$8,622,942	\$8,622,942.00	-	\$8,622,942.00
Total		-	-	-	\$8,622,942	\$8,622,942.00	-	\$8,622,942.00

Escrow

Cash Deposit	0.99
Cost of Investments Purchased with Bond Proceeds	8,622,942.00
Total Cost of Investments	\$8,622,942.99

Delivery Date	11/18/2010
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NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: Moody's: Aaa/Aa3
S&P:AAA/AA-
Fitch: AAA/AA-
(See "MISCELLANEOUS-Ratings" herein)

In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds (i) will be excludable from gross income for federal income tax purposes, (ii) will not be an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and (iii) will be exempt from all State of South Carolina, county, municipal, school district, and all other taxes and assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes, provided that the interest thereon may be includable for certain franchise fees or taxes. For a more complete discussion of federal tax consequences to recipients of interest on the Bonds, see "LEGAL MATTERS-Tax Exemption" herein.

OFFICIAL STATEMENT RELATING TO THE ISSUANCE OF
BEAUFORT COUNTY, SOUTH CAROLINA
\$25,100,000 GENERAL OBLIGATION BONDS, SERIES 2002

The General Obligation Bonds, Series 2002 (the "Bonds") 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 BONDS—Security" herein.

The Bonds are issuable in fully registered form and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Bonds will be made. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the principal amounts of \$5,000 or any whole multiple thereof. So long as Cede & Co. as nominee of DTC is the registered owner of the Bonds, references herein to the holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds are payable to Cede & Co. as nominee for DTC, which will in turn remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only System." The Beaufort County Treasurer will serve as Registrar/Paying Agent for the Bonds.

The Bonds will be dated as of March 1, 2002, and will mature on February 1 in each of the years in the principal amounts and bear interest at the rates shown below. Interest on the Bonds is first payable on August 1, 2002, and semiannually thereafter on each February 1 and August 1. The Bonds are subject to optional redemption prior to their maturity. See "THE BONDS - Optional Redemption."

SERIES 2002 BONDS

(Feb. 1) Year	Principal Amount	CUSIP	Interest Rate	Yield	(Feb. 1) Year	Principal Amount	CUSIP	Interest Rate	Yield
2003	\$1,120,000	074347ND3	3.000%	1.70%	2013	\$705,000	074347NP6	4.250%	4.35%
2004	1,605,000	074347NE1	3.750%	2.30%	2014	735,000	074347NQ4	4.375%	4.45%
2005	1,670,000	074347NF8	3.750%	2.80%	2015	770,000	074347NR2	4.375%	4.55%
2006	1,720,000	074347NG6	3.750%	3.12%	2016	805,000	074347NS0	4.500%	4.65%
2007	1,770,000	074347NH4	4.000%	3.45%	2017	845,000	074347NT8	4.625%	4.75%
2008	1,835,000	074347NJ0	4.500%	3.67%	2018	890,000	074347NU5	4.750%	4.85%
2009	1,905,000	074347NK7	4.000%	3.87%	2019	935,000	074347NV3	4.750%	4.92%
2010	1,970,000	074347NL5	5.000%	4.02%	2020	980,000	074347NW1	4.875%	4.95%
2011	2,050,000	074347NM3	4.000%	4.10%	2021	1,030,000	074347NX9	4.875%	5.00%
2012	675,000	074347NN1	4.125%	4.20%	2022	1,085,000	074347NY7	4.875%	5.03%

The scheduled payment of the principal and interest on the Bonds will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation.



The Bonds have been purchased at the interest rates shown above by First Union National Bank which proposed the lowest true interest cost to the County for the Bonds at a competitive sale held on March 5, 2002, and has informed the County that it is reoffering the Bonds at the yields shown above. See "MISCELLANEOUS-Underwriting." UBS PaineWebber Inc., in Charlotte, North Carolina has served as financial advisor to the County with respect to the Bonds.

DAC Bond[®]

The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of Parker Poe Adams & Bernstein L.L.P., Bond Counsel, Columbia, South Carolina. It is expected that the Bonds in definitive form will be available for delivery on March 28, 2002.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

This Official Statement is dated March 5, 2002

and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The County cannot and does not give any assurances that DTC or the Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of, redemption premium, if any, and interest on, the Bonds, (ii) confirmation of ownership interest in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC or the Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the County. Under such circumstances, if there is not a successor securities depository, bond certificates will be delivered to the Beneficial Owners as described in the Bond Ordinances. The Beneficial Owners of the Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Bonds.

The County may determine to discontinue participation in the system of book-entry transfers through DTC (or a successor securities depository) at any time by giving reasonable notice to DTC (or a successor securities depository). In such event, bond certificates will be delivered to the Beneficial Owners as described in the Bond Ordinance. The Beneficial Owners of the Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Bonds.

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

Discontinuance of Book-Entry Only System

In the event that the Bonds are no longer in book-entry only form, the certificates held by DTC or a successor securities depository will be canceled and the County will execute and deliver the Bonds in fully registered form to the beneficial owners of the Bonds as shown on the records of the DTC Participants or the nominee of a successor securities depository. If no other securities depository is named, principal and interest on the Bonds will be paid by check or draft of a paying agent appointed by the County, mailed to the persons in whose names the Bonds are registered as of the close of business on the 15th day of the month immediately preceding such payment and principal shall be payable to the registered owner at maturity, upon presentation and surrender thereof to such paying agent at its principal corporate trust office. In such event, the paying agent as appointed will replace the County Treasurer's Registrar/Paying Agent and will maintain books of registry for the purpose of registering ownership and transfer of the Bonds. The Bonds would be transferable by the registered owner in person or by his duly authorized attorney upon surrender of the Bond to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar/Paying Agent will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amount as the Bond or Bonds so presented. The County and the Registrar/Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

Optional Redemption

The Bonds maturing on or prior to February 1, 2012, shall not be subject to redemption prior to their stated maturities. The Bonds maturing on or after February 1, 2013, shall be subject to redemption at the option of the County on or after February 1, 2012, as a whole or in part at any time, and if in part in such order of maturity as selected by the County, at par, together with the interest accrued thereon to the date fixed for redemption.

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected in accordance with the procedures of DTC or a successor securities depository or, if the Bonds are no longer in book-entry only form, then by lot by the Registrar/Paying Agent. In the event a Bond is redeemable and shall be called for redemption, notice of its redemption, describing the Bond and specifying the redemption date and