

INDEPENDENT AUDITORS' REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Chairman and Members of County Council
Horry County, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Horry County as of and for the year ended June 30, 2008 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Horry County Department of Airports (enterprise fund), Shoreline Behavioral Health Services, or the Horry County Solid Waste Authority (both discretely presented component units). The Horry County Department of Airports' financial statements represent 97 percent of the assets, 98 percent of the net assets, and 99 percent of revenues of the business-type activities. The Shoreline Behavioral Health Services' and the Horry County Solid Waste Authority's financial statements represent 100 percent of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for the discretely presented component units, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, the business-type activities, each major fund and the aggregate remaining fund information of Horry County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2008 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government auditing standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Required Supplementary Information, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Horry County, South Carolina. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison nonmajor fund financial statements, fines and assessments, and statistical tables as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison nonmajor fund financial statements, and fines and assessments have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Elliott Davis, LLC

Greenwood, South Carolina
November 26, 2008

Management's Discussion and Analysis

As management of Horry County, we offer readers of Horry County's financial statements this narrative overview and analysis of the financial activities of Horry County for fiscal year ended June 30, 2008. We encourage 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 the pages prior to this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The total assets of Horry County reflected in the primary government exceeded its liabilities at the close of fiscal year 2008 by \$474,068 (net assets). This was an increase of \$115,597 from fiscal year 2007.
- At June 30, 2008, the County's governmental funds reported combined ending fund balances of \$270,816 in comparison with \$150,381 of the prior fiscal year, as restated.
- At June 30, 2008, unreserved fund balance for the General Fund was \$24,580 or 22.3% of total General Fund expenditures.
- Property tax revenue for the General Fund for fiscal year 2008 was \$65,576 compared to \$59,538 for fiscal year 2007, an increase of 10.1%.
- The County's outstanding governmental activities debt increased by \$41,314 during fiscal year 2007 compared to fiscal year 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Horry County's basic financial statements. Horry County's basic financial statements are comprised of three components - 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. This report also contains required supplementary information in addition to the basic financial statements themselves.

The governmental funds financial statements tell how government services are financed as well as what remains for future spending. Proprietary fund statements consist of enterprise and internal service funds. Enterprise funds are used to 1) account for operations financed and operated similar to private business enterprises and 2) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise funds consist of the following: Department of Airports and Baseball Stadium. Internal service funds are used to account for operations that provide goods and services to other departments or agencies of the primary government, or to other governments, on a cost-reimbursement basis. This consists of Fleet Services.

Fiduciary fund statements are used to account for assets held by Horry County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

The financial statements also include notes that further explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about Horry County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report Horry County's net assets and how they have changed. Net assets, the difference between Horry County's assets and liabilities, measure Horry County's financial position. Over time, increases or decreases in Horry County's net assets are an indicator of whether its financial position has changed. To assess the overall financial position of Horry County you need to consider additional nonfinancial factors such as changes in Horry County's property tax base, changes in operations, and the condition of Horry County's roads.

The government-wide financial statements of the County are divided into three categories:

- **Governmental activities** - Most of Horry County's basic services are included here, such as the police, fire, infrastructure and regulation, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities** - Horry County charges fees to customers to help it cover the costs of certain services it provides. Horry County's Baseball Stadium and Department of Airports are included here.
- **Component units** - Horry County includes two other entities in its financial statements-Shoreline Behavioral Health Services and the Horry County Solid Waste Authority. Although legally separate, these "component units" are important because Horry County is financially accountable for them.

The government-wide financial statements can be found on pages 17 through 20 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about Horry County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The County Council establishes other funds to control and manage money for particular purposes or to demonstrate that it is properly using certain taxes and grants.

The County has three kinds of funds: governmental, proprietary, and fiduciary.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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 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 reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains four five major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Hospitality 1.5% Special Revenue, General Improvement, Capital Projects, Capital Projects Sales Tax, and RIDE Program Debt Service, which are considered to be major funds. Data from the other 32 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary information section of this report.

The County adopts an annual appropriated budget for its general, budgeted special revenue, and debt service funds and capital projects funds. Additionally, budgetary controls are maintained for certain proprietary fund types. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance with budget.

Proprietary funds - The County maintains two different types of proprietary funds.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds consist of the following: Department of Airports and Baseball Stadium.

Internal Service Funds are used to account for operations that provide goods and services to other departments or agencies of the primary government, or to other governments on a cost-reimbursement basis. This consists of Fleet Services, which is for the maintenance and service of all county vehicles including heavy equipment and light equipment. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are custodial in nature and therefore do not measure the results of operations, and consist primarily of property taxes and other revenues collected, temporarily retained and distributed by the County Treasurer to other governments.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 84 85 of this report.

OTHER INFORMATION

In addition to the basic financial statement notes, this report also contains certain required supplementary information. This information includes a budgetary comparison schedule for the general fund and the Hospitality 1.5% Special Revenue Fund, information relating to the condition rating and actual rating and actual maintenance/preservation of Horry County's road infrastructure and the Department of Airport's infrastructure as well funding status of the County's post employment benefit obligation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial condition and position. In the case of the County as reflected in the primary government funds, assets exceeded liabilities by \$474,068 at the close of the fiscal year ended June 30, 2008.

At the end of fiscal year 2008, the County reflected the following net assets:

Horry County, South Carolina								
Net Assets								
(in thousands)								
	Governmental Activities		Business-type Activities		Total		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 334,617	\$ 205,738	\$ 71,423	\$ 78,219	\$ 406,040	\$ 283,957		
Capital Assets, net	547,248	512,922	96,045	98,808	643,293	611,730		
Total Assets	881,865	718,660	167,468	177,027	1,049,333	895,687		
Current Liabilities	75,641	58,083	3,255	12,492	78,896	70,575		
Long-term Liabilities Outstanding	482,835	441,521	13,534	25,120	496,369	466,641		
Total Liabilities	558,476	499,604	16,789	37,612	575,265	537,216		
Net Assets:								
Invested in Capital Assets,								
Net of Related Debt	377,812	406,013	82,980	72,687	460,792	478,700		
Restricted	186,578	64,673	26,679	34,046	213,257	98,719		
Unrestricted (deficit)	(241,001)	(251,630)	41,020	32,682	(199,981)	(218,948)		
Total Net Assets	\$ 323,389	\$ 219,056	\$ 150,679	\$ 139,415	\$ 474,068	\$ 358,471		

Net assets of the County's governmental activities increased 47.6 percent from \$219,056 to \$323,389. However, all of those net assets are restricted as to the purpose for which they can be used or are invested in capital assets (buildings, roads, bridges, and so on). Unrestricted net assets showed a \$241,001 deficit at the end of this year. This deficit is primarily the result of the County's long term debt payable for new roads which are not recorded as County assets because they are State roads, not County roads. In 1996 the County partnered with the State of South Carolina in the RIDE (Road Improvement and Development Effort) program which pairs funding provided at the local level with funding provided by the State of South Carolina in order to facilitate transportation improvements within Horry County. The RIDE program debt is repaid from a 1.5% hospitality fee enacted locally in 1997. Net assets do not present the County's position regarding spending, which is presented in the governmental fund statements.

The net assets of our business-type activities increased 8.08 percent from \$139,417 415 in 2007 to \$150,679 in 2008, this was a result of higher operating and non-operating revenues as well as increased federal and state restricted capital project grant revenues.

The total fund balances for governmental funds was \$270,816 at the end of fiscal year 2008. Capital assets are not reported in these funds because they are not financial resources, and are not available to pay for current period expenditures. These assets amounted to \$547,248. Long-term liabilities of \$482,835 are not due and payable in the current period and therefore are also not reported in these funds. A majority of the long-term liabilities, \$316,695, is attributable to the RIDE Intergovernmental Agreements, by which the County agreed to deposit all receipts of the 1.5% portion of its Hospitality Fee into the Loan Servicing Account at the State Transportation Infrastructure Bank. The State Transportation Infrastructure Bank through intergovernmental agreements has provided funding for various road construction projects in Horry County through certain loans, by which the County has agreed to pay. The constructed roads are State roads and are therefore not reflected in capital assets of Horry County. In accordance with the RIDE intergovernmental agreements, the State Treasurer can withhold funds allotted or appropriated by the State to the County and apply those funds to make or complete the required debt service payments should the 1.5% portion of the Hospitality Fee not meet the debt service requirements. The citizens of Horry County have benefited from the construction of these roads that otherwise would not have been possible without the enactment of the Hospitality Fee in January 1997 and the intergovernmental agreements by which the County agreed to partner with the State in funding over \$650,000 towards their construction and meet the infrastructure needs of the County.

On December 18, 2003, the Commission of the South Carolina Department of Transportation (SCDOT), agreed to replace the County's \$10 million reserve requirement with a SCDOT guarantee of an equal amount upon the following changes to the loan agreement: Horry County extends its Hospitality Fee Ordinance for a period not to exceed five (5) years; and the County agrees to restructure its annual loan payments based upon new financial projections. If Horry County utilizes the \$10 million reserve, it will be repaid to SCDOT at some future time when the County's funds are sufficient to make the necessary repayments.

Governmental activities

Governmental activities increased the County's net assets during the year by \$104,333. This increase was mainly attributable to increased revenues from property taxes, one-cent sales tax increase for road improvements and continued growth in the County's taxable assessable base as well as controlled governmental expenditures. Key elements of this increase are on the following page:

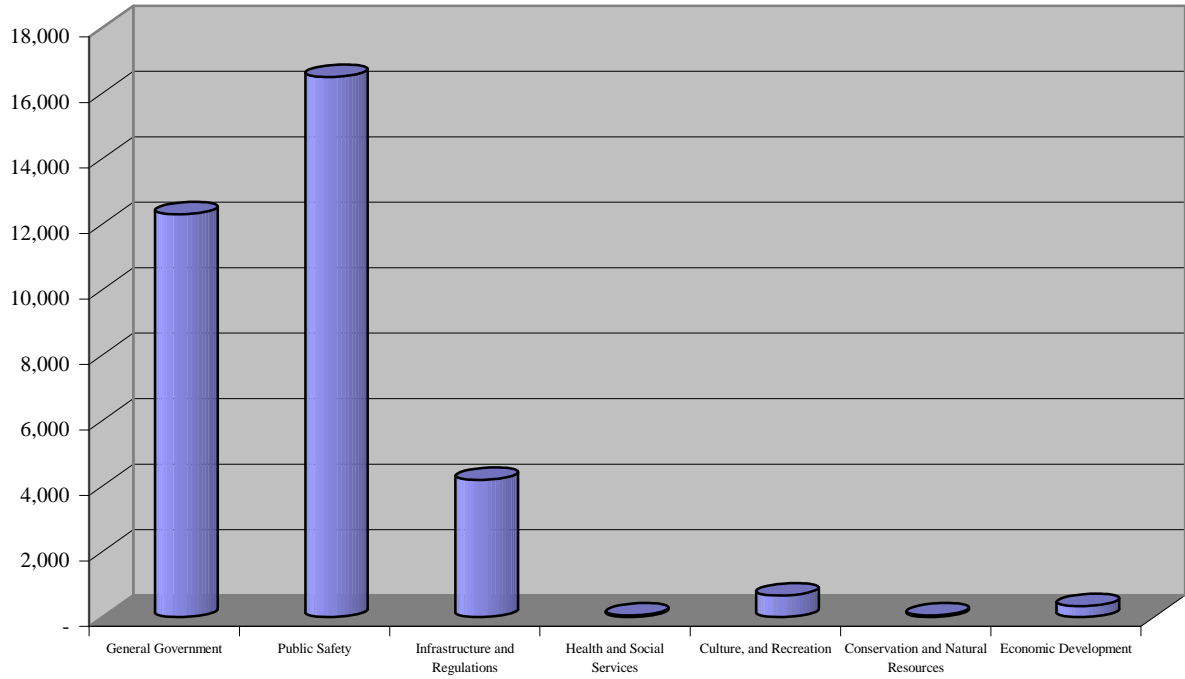
Horry County, South Carolina
Changes in Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Fees for services	\$ 32,798	\$ 26,899	\$ 24,637	\$ 26,548	\$ 57,435	\$ 53,447
Operating Grants and Contributions	597	641	-	-	597	641
Capital Grants and Contributions	666	358	-	-	666	358
General Revenues:						
Property Taxes and Shared Revenue and Unallocated Intergovernmental	198,818	123,766	-	-	198,818	123,766
Other	67,055	63,112	6,346	5,605	73,401	68,717
Total Revenues	299,934	214,776	30,983	32,153	330,917	246,929
Expenses:						
General Government	38,239	40,691	-	-	38,239	40,691
Public Safety	98,133	72,570	-	-	98,133	72,570
Infrastructure and Regulation	24,749	14,126	-	-	24,749	14,126
Health and Social Services	2,542	980	-	-	2,542	980
Culture, recreation and tourism	10,519	9,133	-	-	10,519	9,133
Conservation and Natural Resources	47	1	-	-	47	1
Economic Development	383	312	-	-	383	312
Other	3,910	3,210	-	-	3,910	3,210
Debt Service	16,767	16,193	-	-	16,767	16,193
Airports	-	-	19,714	26,663	19,714	26,663
Baseball Stadium	-	-	317	376	317	376
Total Expenses	195,289	157,216	20,031	27,039	215,320	184,255
Increase in Net Assets						
Before Extraordinary Item & Transfers	104,645	57,560	10,952	5,114	115,597	62,674
Extraordinary Item & Transfers	(312)	(305)	312	(16,148)	-	(16,453)
Increase (Decrease) in Net Assets	104,333	57,255	11,264	(11,034)	115,596	46,221
Net Assets - 7/1/07	219,056	161,801	139,415	150,449	358,471	312,250
Net Assets - 6/30/08	\$ 323,389	\$ 219,056	\$ 150,679	\$ 139,415	\$ 474,068	\$ 358,471

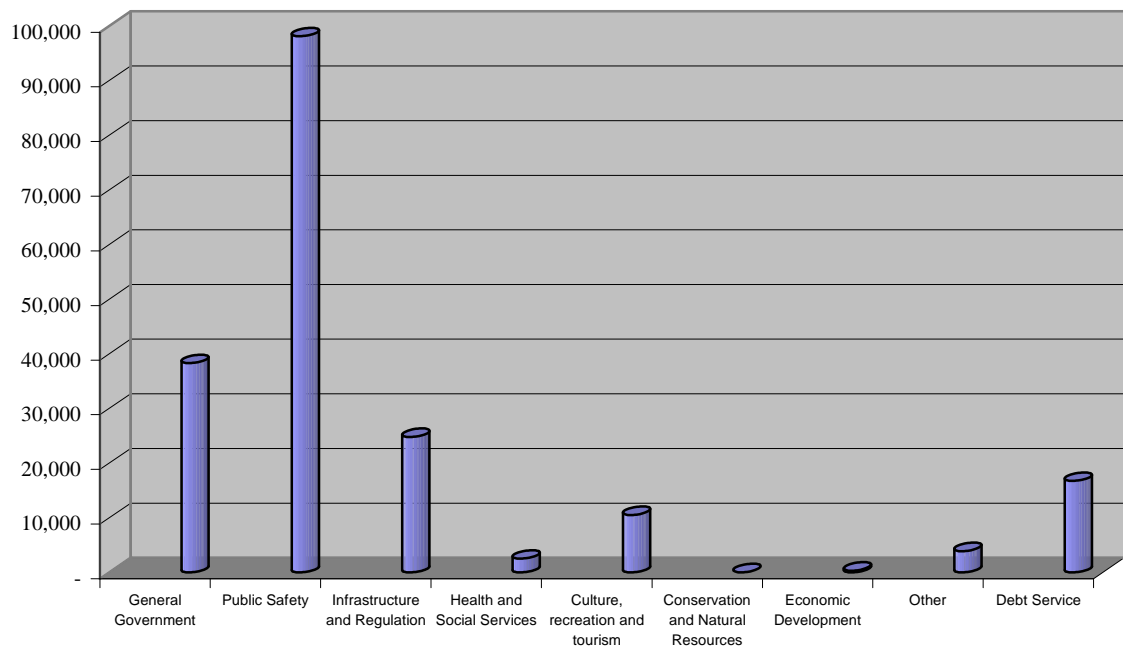
Program Revenues and Expenses - Governmental Activities

For

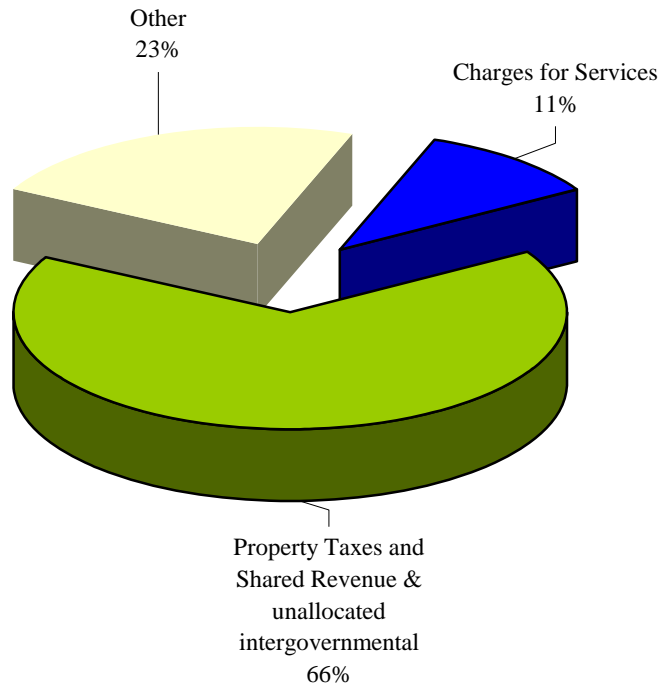
PROGRAM REVENUES



EXPENSES



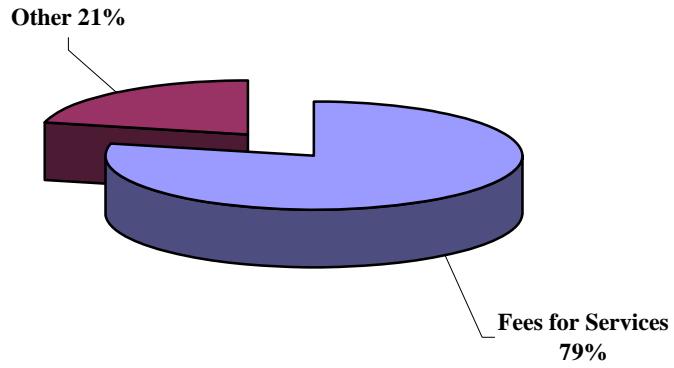
Revenues by Source-Governmental Activities



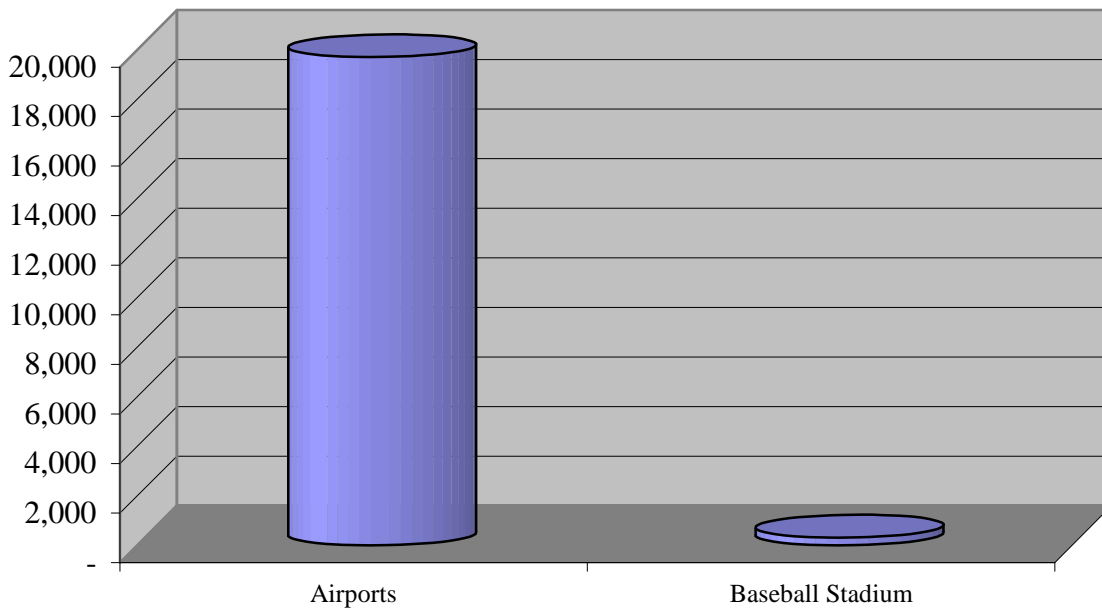
Business-type activities

Business-type activities increased the County's net assets by \$11,264, primarily the result of higher operating and non-operating revenues as well as increased federal and state restricted capital project grant revenues.

Revenues by Source - Business-Type Activities



Expenses-Business - Type Activities



Financial Analysis of the County's Funds

As noted earlier, the 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.

As of the end of fiscal year 2008, the County's Governmental Funds reported combined ending fund balances of \$270,816, an increase of \$120,436 in comparison with the prior year. Unreserved Fund Balance in the Governmental Funds of \$53,106 is available for spending at the County's discretion. The remainder of the fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$10,643), 2) for inventories (\$53), 3) for freight claims (\$51) 4) for prepaid items (\$32), 5) for debt service (\$19,528) 6) for underground storage tanks (\$50), 7) to pay for Fire Special Revenue Fund bonded capital projects (\$893), 8) to pay for projects in the Capital Projects Fund (\$66,906), 9) for maintenance and construction of County roads (\$390), 10) for future repairs and maintenance to the Baseball Stadium (\$235), 11) to pay for the RIDE Program Debt Service (\$38,584), 12) for DSS Federal Revenue (\$71), 13) for Cultural (\$70), 14) for Register of Deeds (\$5), 15) for Environmental services (\$462), 16) for Infrastructure development (\$59,333), 17) designated for General Fund (\$3,254), and 18) designated for other Governmental Funds (\$17,151).

The General, Hospitality 1.5%, General Improvements Capital Projects, Capital Project Sales Tax and RIDE Program Debt Service are reported as major funds. The General Fund is the chief operating fund of the County. At the end of fiscal year 2008, unreserved fund balance of the General Fund was \$24,580 while the total General Fund balance reached \$29,083. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.3 percent of the total general fund expenditures, while total fund balance represents 26.4 percent of that same amount.

The total fund balance of the County's general fund increased by \$2,154 during the current fiscal year. The key factors in this increase were as follows:

- A decrease in expenditures of \$10,800 under fiscal year 2008 budget, primarily in the functional areas of General Government, Public Safety and Infrastructure and Regulation. In budget year 2008, it was projected that \$4.5 million of fund balance would be utilized.
- While revenues increased \$ 4,646 over fiscal year 2007.

Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds.

Unrestricted net assets of proprietary funds at the end of the year amounted to \$41,020.

<u>Fund</u>	<u>2007 Unrestricted Net Assets (Deficit)</u>	<u>2007 Unrestricted Net Assets (Deficit)</u>
Department of Airports	\$ 41,103	\$ 32,772
Baseball Stadium	(83)	(90)
Internal Service Fund	<u>2,441</u>	<u>6,832</u>
Totals	\$ 43,461 =====	\$ 39,514 =====

Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The final budgeted revenues were increased by \$187 over the original budget. The primary reason was an increase in intergovernmental revenues of \$182 which consisted of \$80 for solicitor appropriations and \$83 from lottery funds for the library. The remaining \$19 was a result of increased donations and contributions for the library. The final budgeted expenditures were increased by \$8,921 over the original budget. The primary reasons for this change is a result of increased costs of \$3,993 in General Government, \$2,096 in increased costs for Public Safety and \$2,264 for Infrastructure and Regulation.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$643,293 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, leasehold improvements, equipment, infrastructure, and construction in progress. The total increase in the County's investment in capital assets (net of accumulated depreciation) for the current fiscal year was 5.1 percent (a 6.7 percent increase for governmental activities and a 2.9 percent decrease for business-type activities).

Most of this increase was in Public Safety and Infrastructure and Regulation. Some of the significant capital events that occurred during the current fiscal year were the new Health Department building for a total cost of \$1.5 million. The Public Works North Satellite was completed (\$245) with the Public Works South Satellite in progress. The jail renovations and minimum security additions completed in 2008 were over \$4 million dollars. Also, in 2008 the Bucksport Community Center was completed (\$2.5 million).

Horry County, South Carolina
Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
Land, Easements, and Improvements	\$ 15,014	\$ 15,555	\$ 28,554	\$ 28,997	\$ 43,568	\$ 44,552
Infrastructure	400,936	383,345	9,182	9,182	410,118	392,527
Construction-in-Progress	5,209	6,407	1,001	517	6,210	6,924
Buildings and Improvements	93,788	80,267	28,986	30,811	122,774	111,078
Office Furniture	544	1,131	-	-	544	1,131
Vehicles	2,255	1,399	-	-	2,255	1,399
Machinery and Equipment	28,861	24,435	5,013	4,773	33,874	29,208
Runways and Taxiways	-	-	23,309	24,528	23,309	24,528
Other	641	383	-	-	641	383
Total	\$ 547,248	\$ 512,922	\$ 96,045	\$ 98,808	\$ 643,293	\$ 611,730

Additional information on the County's capital assets can be found in Note 7 of the Notes to the Basic Financial Statements.

Modified Approach for Infrastructure

Horry County has adopted the modified approach for reporting its road infrastructure. Following this approach, the County does not depreciate infrastructure assets but maintains an up-to-date inventory of road infrastructure assets, condition indexes ranging from one for failed pavement to five for a pavement in perfect condition. The County must also document that the road infrastructure assets are being preserved at or above the condition level established.

A five-year Local Road Improvement Plan was implemented July 1, 1997. Horry County extended this program for an additional 5 years in 2008. FY 2008 represents Year 11 of the project, which endeavors to improve the County's roadways with paving, resurfacing or coquina/slag. The five-year extension covers years 2008-2012 in an effort to expedite easement acquisitions procedures and thereby enhance the programs effectiveness by approving a 5-year list of roads to be improved.

Additional information on infrastructure assets can be found in Required Supplementary Information (RSI).

Debt Administration

At the end of fiscal year 2008, the County had total bonded debt outstanding of \$149,325. Of this amount, \$137,920 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), RIDE – Intergovernmental Loan Agreements with the State of South Carolina Transportation Infrastructure Bank, and agreements with the City of Myrtle Beach calling for a 30% liability of Horry County on the Certificates of Participation issued by the City of Myrtle Beach.

Special obligation bonds and revenue bonds are limited obligations of the County and do not constitute the general obligations, or pledge of the faith, credit or taxing power of the County or any other political subdivision.

**General Obligation and Revenue Bonds Outstanding
(in thousands)**

	Governmental Activities		Business-type Activities		Total	Total
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 137,920	\$ 80,120	\$ -	\$ -	\$137,920	\$80,120
Special Obligation Bonds	11,405	12,725	-	-	11,405	12,725
Revenue Bonds	-	-	11,140	24,300	11,140	24,300
Baseball Stadium COPS	-	-	2,024	2,162	2,024	2,162
RIDE IGA Loans	334,103	350,132	-	-	334,103	350,132
Total	\$ 483,428	\$ 442,977	\$13,164	\$26,462	\$496,592	\$469,439

The County's outstanding notes and bonded debt increased by \$27,153 compared with fiscal year 2007.

Additional information on the County's debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- The County's predominantly tourist-based economy continues to thrive, in spite of the state of the national economy as a result of the residential and commercial development over the past ten years.. Thirty-eight percent of the state's hotel and motel rooms are located within Horry County and forty percent of the state's second homes are also located within the county. Horry County was the fourth-fastest-growing area in the nation between 2005 and 2006. The area was named number one on the 2005 list of "10 Most Desirable Second Home Markets according to *EscapeHomes.com* and *Forbes* magazine ranks the Myrtle Beach area the 29th best location for business and careers (among 200 U.S. metropolitan statistical areas). According to the Strom Thurmond Institute at Clemson University in Charleston, SC, most of the recent growth can be accounted for by the influx of retirees who are attracted to the area. According to Golf Digest, in its 2007 listing of "America's 100 Greatest Public Golf Courses," 10 of the 100 are on the Grand Strand Gross retail sales were reported to be \$9.26 billion for 2007. This is a 1.3 percent increase over 2006 but shows the slowing of economic times compared to the prior year growth of 10.4 percent from.
- The taxable assessed value of real and personal property increased 10.8 percent in the 2008 fiscal year.
- Fees and fines revenues increased 7 percent, amounting to \$1,063 in added revenue for the 2008 fiscal year.
- The U.S. Census Bureau estimated a 5 percent population increase from July 1, 2006 to July 1, 2007. The estimated population for Horry County at July 1, 2007 was 249,925.

All of these factors were considered in preparing Horry County's budget for the 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased from \$19,101 to \$24,580. Projections at this time indicate that at the end of fiscal year 2009, the unreserved fund balance for the general fund will remain above the 15% of total general fund expenditures requirement set by the Financial Policy Ordinance.

Requests for Information

This financial report is designed to present users with a general overview of Horry County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Chief Financial Officer, 1301 Second Avenue, Conway, SC 29526.

AUDITED BASIC FINANCIAL STATEMENTS

HORRY COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2008
(amounts expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Shoreline Behavior Services	Horry County Solid Waste Authority
Assets					
Current assets:					
Cash and cash equivalents	\$ 10,064	\$ 25,643	\$ 35,707	\$ 187	\$ 4,964
Equity in Pooled Cash and Investments	235,427	-	235,427	-	-
Investments	-	18,236	18,236	-	25,283
Funds held in trust	5,232	-	5,232	-	-
Receivables, net:					
Property taxes	4,891	-	4,891	-	-
Accounts and other	5,106	780	5,886	161	1,706
Fees	4,584	-	4,584	-	-
Interest receivable	1,414	153	1,567	-	-
Due from primary government	-	-	-	90	344
Due from component units	64	-	64	-	-
Due from other governments	34,755	310	35,065	22	-
Internal balances	1,143	(1,143)	-	-	-
Notes receivable - Horry County	-	-	-	-	25
Prepaid items	31	82	113	-	90
Inventories	343	388	731	-	70
Restricted - funds held in trust	31,563	-	31,563	-	-
Total current assets	<u>334,617</u>	<u>44,449</u>	<u>379,066</u>	<u>460</u>	<u>32,482</u>
Non-current assets:					
Restricted assets:					
Cash and cash equivalents	-	1,962	1,962	-	-
Investments	-	24,393	24,393	-	-
Equity in pooled cash and investments	-	50	50	-	-
Accounts receivable	-	274	274	-	-
Total restricted assets	<u>-</u>	<u>26,679</u>	<u>26,679</u>	<u>-</u>	<u>-</u>
Capital assets:					
Land, easements and infrastructure	416,771	34,677	451,448	-	7,440
Depreciable capital assets, net	125,268	60,367	185,635	1,188	23,756
Construction-in-progress	5,209	1,001	6,210	-	1,365
Total capital assets, net	<u>547,248</u>	<u>96,045</u>	<u>643,293</u>	<u>1,188</u>	<u>32,561</u>
Deferred charges, net					
Bond issuance cost, net	-	295	295	16	-
Total non-current assets	<u>547,248</u>	<u>123,019</u>	<u>670,267</u>	<u>1,204</u>	<u>32,561</u>
Total assets	<u>881,865</u>	<u>167,468</u>	<u>1,049,333</u>	<u>1,664</u>	<u>65,043</u>

- CONTINUED -

HORRY COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
- CONTINUED -
(amounts expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Shoreline Behavior Services	Horry County Solid Waste Authority
Liabilities and Net Assets					
Current liabilities:					
Accounts payable - trade	5,648	184	5,832	9	1,691
Accounts payable - other	526	-	526	-	-
Accrued salaries, related taxes and compensated absences	2,263	393	2,656	53	251
Accrued expenses	-	453	453	-	-
Due to other governments	2,417	83	2,500	-	-
Due to component units	90	-	90	-	-
Construction and retainage payable	376	359	735	-	94
Other liabilities	25,020	-	25,020	-	-
Deferred revenue	2,145	189	2,334	-	-
Accrued interest payable	6,619	-	6,619	-	-
Bonds, notes and contracts payable - current portion	8,080	-	8,080	97	-
Special obligation bonds payable - current portion	1,390	-	1,390	-	-
IGA #1 payable - current portion	11,347	-	11,347	-	-
IGA #2 payable - current portion	6,033	-	6,033	-	-
IGA #3 contribution payable - current portion	28	-	28	-	-
Capital lease obligations - current portion	3,659	39	3,698	-	-
Amounts due to tenants	-	542	542	-	-
Total current liabilities	75,641	2,242	77,883	159	2,036
Current liabilities payable from restricted assets	-	1,013	1,013	-	-
Non-current (long-term) liabilities:					
Certificates of Participation	-	1,880	1,880	-	-
General and special obligation bonds payable	139,855	-	139,855	-	-
Revenue bonds payable	-	10,172	10,172	436	-
IGA loans payable	315,760	-	315,760	-	-
IGA #3 contribution payable	935	-	935	-	-
Due to tenants for capital improvements	-	200	200	-	-
Capital lease obligations	9,455	306	9,761	-	-
Compensation for future absences	11,844	820	12,664	41	109
Net post employment benefit obligation	4,986	155	5,141	-	212
Landfill closures costs	-	-	-	-	8,878
Landfill post closure care costs	-	-	-	-	6,670
Total long-term liabilities	482,835	13,534	496,369	477	15,869
Total liabilities	558,476	16,789	575,265	636	17,905

HORRY COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
- CONTINUED -
(amounts expressed in thousands)

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Shoreline Behavior Services</u>	<u>Horry County Solid Waste Authority</u>
Net Assets:					
Invested in capital assets, net of related debt	377,812	82,980	460,792	671	32,561
Restricted For:					
Capital projects	66,906	2,304	69,210	-	-
Road maintenance	390	-	390	-	-
Register of Deeds	5	-	5	-	-
Fire special revenue	893	-	893	-	-
Infrastructure development	59,333	-	59,333	-	-
Debt service	19,528	24,375	43,903	-	-
RIDE program	38,584	-	38,584	-	-
DSS federal revenue	71	-	71	-	-
Freight claims	51	-	51	-	-
Substance abuse prevention	-	-	-	411	-
Cultural	70	-	70	-	-
Baseball	235	-	235	-	-
Underground storage tanks	50	-	50	-	-
Environmental services	462	-	462	-	-
Unrestricted (deficit)	(241,001)	41,020	(199,981)	(54)	14,577
Total net assets	<u>323,389</u>	<u>150,679</u>	<u>474,068</u>	<u>1,028</u>	<u>47,138</u>
Total liabilities and net assets	<u>\$ 881,865</u>	<u>\$ 167,468</u>	<u>\$ 1,049,333</u>	<u>\$ 1,664</u>	<u>\$ 65,043</u>

See accompanying notes to financial statements.

HORRY COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(amounts expressed in thousands)

Functions and Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Fees for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental			Component Units	
					Governmental Activities	Business -type Activities	Totals	Shoreline Behavior	Solid Waste Authority
Primary government									
Governmental activities:									
General government	\$ (38,239)	\$ 12,295	\$ -	\$ -	\$ (25,944)	\$ -	\$ (25,944)	\$ -	\$ -
Public safety	(98,133)	15,687	518	291	(81,637)	-	(81,637)	-	-
Health and social services	(2,542)	49	-	-	(2,493)	-	(2,493)	-	-
Infrastructure and regulation	(24,749)	4,177	3	5	(20,564)	-	(20,564)	-	-
Culture, recreation and tourism	(10,519)	590	29	38	(9,862)	-	(9,862)	-	-
Economic development	(383)	-	-	332	(51)	-	(51)	-	-
Conservation/natural resources	(47)	-	47	-	(0)	-	(0)	-	-
Debt service	(16,767)	-	-	-	(16,767)	-	(16,767)	-	-
TECH and Higher Education Commission	(3,910)	-	-	-	(3,910)	-	(3,910)	-	-
Total governmental activities	<u>(195,289)</u>	<u>32,798</u>	<u>597</u>	<u>666</u>	<u>(161,228)</u>	<u>-</u>	<u>(161,228)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Airports	(19,714)	24,634	-	-	-	4,920	4,920	-	-
Baseball stadium	(317)	3	-	-	-	(314)	(314)	-	-
Total business-type activities	<u>(20,030)</u>	<u>24,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,606</u>	<u>4,606</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ (215,319)</u>	<u>\$ 57,435</u>	<u>\$ 597</u>	<u>\$ 666</u>	<u>\$ (161,228)</u>	<u>\$ 4,606</u>	<u>\$ (156,622)</u>	<u>\$ -</u>	<u>\$ -</u>
Component units									
Health services	\$ (2,360)	\$ 2,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (43)	\$ -
Landfill	(18,408)	16,430	184	-	-	-	-	-	(1,795)
Total component units	<u>\$ (20,768)</u>	<u>\$ 18,747</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ (1,795)</u>
General Revenue and Transfers									
General Revenue									
Property taxes					104,702	-	104,702	-	-
Capital Road Sales Tax					77,123		77,123		
Fees-in-lieu of taxes					353		353		
Intergovernmental- unrestricted					16,640		16,640		
Accommodations tax					3,191		3,191		
Local accommodations tax					996		996		
Admissions tax					116		116		
Road maintenance					4,720		4,720		
Hospitality fees					37,051		37,051		
RMC Documentary Stamps					4,356		4,356		
Unrestricted investment earnings					7,880	2,844	10,724	3	1,460
Miscellaneous					7,270		7,270	96	94
Gain (loss) on disposal of asset					330	69	399		(43)
Capital Contributions					1,145	3,433	4,578		596
Transfers					(312)	312	-		-
Total general revenue and transfer:					<u>265,561</u>	<u>6,658</u>	<u>272,220</u>	<u>99</u>	<u>2,107</u>
Changes in net assets					104,333	11,264	115,597	56	312
Net assets - beginning of year					219,056	139,415	358,471	973	46,826
Net assets - end of year					<u>\$ 323,389</u>	<u>\$ 150,679</u>	<u>\$ 474,068</u>	<u>\$ 1,029</u>	<u>\$ 47,138</u>

See accompanying notes to financial statements.

HORRY COUNTY, SOUTH CAROLINA
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General Fund</u>	<u>Hospitality 1.5% Fee</u>	<u>General Improvement Capital Projects</u>	<u>Capital Project Sales Tax</u>	<u>RIDE Program Debt Service</u>	<u>Other Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 4,261,548	\$ 2,500,285	\$ -	\$ -	\$ -	\$ 3,302,034	\$ 10,063,867
Equity in pooled cash and investments	47,313,860	182,043	82,857,356	43,792,980	-	54,016,521	228,162,760
Funds held in trust	-	-	2,555,219	-	-	2,676,544	5,231,763
Receivables, net:							
Property taxes	498,211	-	-	-	-	222,303	720,514
Accounts and other	3,902,217	-	62,759	-	-	1,140,537	5,105,513
Fees	-	4,481,523	-	-	-	101,972	4,583,495
Interest receivable	563,047	10,031	185,528	-	-	588,556	1,347,162
Due from other funds	3,179,684	-	387,001	-	7,020,798	780,634	11,368,117
Due from other governments	3,489,246	-	-	14,721,808	-	2,958,077	21,169,131
Due from component units	-	-	63,981	-	-	-	63,981
Inventories	52,767	-	-	-	-	-	52,767
Prepaid items	27,334	-	-	-	-	4,572	31,906
Restricted assets	-	-	-	-	31,562,765	-	31,562,765
Total Assets	<u>\$ 63,287,913</u>	<u>\$ 7,173,882</u>	<u>\$ 86,111,844</u>	<u>\$ 58,514,788</u>	<u>\$ 38,583,563</u>	<u>\$ 65,791,751</u>	<u>\$ 319,463,741</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable - trade	\$ 2,360,525	\$ -	\$ 1,054,863	\$ 427,335	\$ -	\$ 1,757,672	\$ 5,600,395
Accounts payable - other	526,458	-	-	-	-	-	526,458
Construction and retainage payable	-	-	355,497	-	-	20,644	376,141
Accrued salaries and wages	1,904,533	-	-	-	-	341,538	2,246,071
Accrued compensated absences	1,367	-	-	-	-	-	1,367
Due to other funds	173,180	7,002,480	-	-	-	3,049,819	10,225,479
Due to component units	90,055	-	-	-	-	285	90,341

- CONTINUED -

HORRY COUNTY, SOUTH CAROLINA
BALANCE SHEETS
GOVERNMENTAL FUNDS
- CONTINUED -

	General Fund	Hospitality 1.5% Fee	General Improvement Capital Projects	Capital Project Sales Tax	RIDE Program Debt Service	Other Non-Major Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances (cont.)							
Liabilities:							
Due to other governments	2,391,586	-	-	-	-	25,064	2,416,650
Proceeds from sales held by Master in Equity	3,797,458	-	-	-	-	-	3,797,458
Due to taxpayers for overpayment	3,982,920	-	-	-	-	-	3,982,920
Funds held in trust- delinquent taxes	5,731,803	-	-	-	-	-	5,731,803
Funds held in trust- Clerk of Court	6,634,067	-	-	-	-	-	6,634,067
Other liabilities	4,630,880	-	242,797	-	-	-	4,873,677
Deferred revenue	1,980,069	164,987	-	-	-	-	2,145,056
Total liabilities	34,204,900	7,167,467	1,653,157	427,335	-	5,195,022	48,647,881
Fund Balances:							
Reserved for:							
Encumbrances	530,812	-	5,700,179	2,338,408	-	2,073,261	10,642,660
Inventories	52,767	-	-	-	-	-	52,767
Debt service	-	-	-	-	-	19,528,368	19,528,368
Underground storage tanks	50,000	-	-	-	-	-	50,000
Environmental services	462,018	-	-	-	-	-	462,018
Register of Deeds	4,827	-	-	-	-	-	4,827
Fire Special Revenue Fund	-	-	893,244	-	-	-	893,244
Prepaid items	27,334	-	-	-	-	4,572	31,906
Road maintenance	-	-	-	-	-	389,814	389,814
Cultural	-	-	-	-	-	70,000	70,000
Baseball Park	-	-	-	-	-	235,132	235,132
RIDE Program	-	-	-	-	38,583,563	-	38,583,563
DSS federal revenue	70,507	-	-	-	-	-	70,507
Reserved for capital projects	-	-	66,905,757	-	-	-	66,905,757
Freight claims	51,471	-	-	-	-	-	51,471
Infrastructure Development	-	-	-	55,749,045	-	3,583,886	59,332,931
Unreserved/designated							
General fund	3,253,778	-	-	-	-	-	3,253,778
Special revenue fund	-	-	-	-	-	4,735,931	4,735,931
Capital projects fund	-	-	10,959,507	-	-	1,455,868	12,415,375
Unreserved/undesignated, reported in:							
General fund	24,579,499	-	-	-	-	-	24,579,499
Special revenue fund	-	6,415	-	-	-	28,519,897	28,526,312
Total fund balances	29,083,013	6,415	84,458,687	58,087,453	38,583,563	60,596,729	270,815,860
Total liabilities and fund balances	\$ 63,287,913	\$ 7,173,882	\$ 86,111,844	\$ 58,514,788	\$ 38,583,563	\$ 65,791,751	\$ 319,463,741

- CONTINUED -

Horry County, South Carolina
 Balance Sheets
 Governmental Funds
 - Continued -

Reconciliation to amounts reported for Governmental Activities in the Statement of Net Assets:

	<i>(amounts expressed in thousands)</i>
Total fund balances - governmental funds	\$ 270,816
Capital assets (exclusive of Internal Service Fund Capital Assets) used in governmental activities are not financial resources and therefore are not reported in these funds.	542,488
Some of the County's taxes will be collected after year end, but not available soon enough to pay for current period's expenditures.	17,756
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.	12,320
Long-term liabilities, including bonds payable that are not due and payable in the current period and, therefore, are not reported in these funds.	(519,991)
Net Assets, end of year - governmental activities	\$ 323,389

See accompanying notes to financial statements.

HORRY COUNTY, SOUTH CAROLINA
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

Revenues	General Fund	Hospitality 1.5 % Fee	General Improvement Capital Projects	Capital Project Sales Tax	RIDE Program Debt Service	Other Non- Major Governmental Funds	Total Governmental Funds
Real property taxes	\$ 55,381,163	\$ -	\$ -	\$ -	\$ -	\$ 32,022,149	\$ 87,403,312
Personal property taxes	5,193,398	-	-	-	-	3,493,018	8,686,416
Vehicle taxes	5,001,434	-	-	-	-	3,516,253	8,517,687
Intergovernmental	14,374,003	-	-	-	-	6,836,090	21,210,093
Sales tax	-	-	-	63,537,101	-	-	63,537,101
Accommodation tax	-	-	-	-	-	995,663	995,663
Fees and fines	15,832,437	30,418,755	725,893	-	-	17,593,125	64,570,210
Documentary stamps	4,355,593	-	-	-	-	-	4,355,593
License and permits	9,999,046	-	-	-	-	-	9,999,046
Interest on investments	1,884,319	128,935	1,203,751	389,409	1,632,329	2,641,460	7,880,203
Cost allocation	1,684,499	-	-	-	-	-	1,684,499
Other	2,402,698	-	96,755	-	-	3,085,471	5,584,924
Total revenues	116,108,590	30,547,690	2,026,399	63,926,510	1,632,329	70,183,229	284,424,747
Expenditures							
Current:							
General government	30,143,140	-	-	-	-	-	30,143,140
Public safety	62,360,671	-	-	-	-	16,756,695	79,117,366
Health and social services	132,084	-	-	-	-	689,580	821,664
Infrastructure and regulation	11,132,412	-	-	-	-	21,765,727	32,898,139
Culture, recreation and tourism	4,055,847	-	-	-	-	4,643,572	8,699,419
Economic development	-	-	-	48,261	-	334,870	383,131
Conservation and natural resources	-	-	-	-	-	46,590	46,590
TECH & Higher Education Commission	-	-	-	-	-	3,910,000	3,910,000
Other	1,643,362	-	3,742,191	5,539,097	-	-	10,924,650
Debt service	-	-	-	-	26,427,049	9,753,688	36,180,737
Capital outlay	528,173	-	26,568,585	-	-	1,724,995	28,821,753
Total expenditures	109,995,689	-	30,310,776	5,587,358	26,427,049	59,625,717	231,946,589

- CONTINUED -

HORRY COUNTY, SOUTH CAROLINA
STATEMENTS OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
- CONTINUED -

	General Fund	Hospitality 1.5% Fee	General Improvement Capital Projects	Capital Project Sales Tax	RIDE Program Debt Service	Major Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	6,112,901	30,547,690	(28,284,377)	58,339,152	(24,794,720)	10,557,512	52,478,158
Other Financing Sources (Uses)							
Capital leases		-	4,442,258	-	-	-	4,442,258
Issuance of debt	-	-	62,000,000	-	-	-	62,000,000
Bond issue premium	-	-	-	-	-	1,496,310	1,496,310
Sales of capital assets	290,511	-	-	-	-	39,541	330,052
Transfers in	1,632,901	-	10,331,755	-	30,549,303	8,171,501	50,685,460
Transfers out	(5,881,978)	(30,666,792)	(211,300)	-	-	(14,236,840)	(50,996,910)
Total other financing sources (uses)	(3,958,566)	(30,666,792)	76,562,713	-	30,549,303	(4,529,488)	67,957,170
Net change in fund balance	2,154,335	(119,102)	48,278,336	58,339,152	5,754,583	6,028,024	120,435,328
Fund balances at beginning of year	26,928,678	125,517	36,180,351	(251,699)	32,828,980	54,568,705	150,380,532
Fund balances at end of year	<u>\$ 29,083,013</u>	<u>\$ 6,415</u>	<u>\$ 84,458,687</u>	<u>\$ 58,087,453</u>	<u>\$ 38,583,563</u>	<u>\$ 60,596,729</u>	<u>\$ 270,815,860</u>

- CONTINUED -

Horry County, South Carolina
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 - CONTINUED -

Reconciliation to amounts reported for Governmental Activities in the Statement of Activities:

	<i>(amounts expressed in thousands)</i>
Net change in fund balances - total governmental funds	\$ 120,435
Governmental 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 depreciation expense exceeded capital outlay expenditures in the current period.	14,082
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in these funds.	15,179
Because certain receivables will not be collected soon enough after the County's fiscal year end, the related revenues are not considered "available" and are deferred in the governmental funds.	2,145
Some expenses reported in Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in these funds.	(8,374)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(40,287)
The net revenue (expense) of certain activities of internal service funds reported with governmental activities.	1,153
Change in Net Assets - Governmental Activities	\$ 104,333

See accompanying notes to financial statements.

HORRY COUNTY, SOUTH CAROLINA
 PROPRIETARY FUNDS
 BALANCE SHEETS
 JUNE 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Fund</u>
	<u>Department of Airports</u>	<u>Baseball Stadium</u>	<u>Totals</u>	
Assets				
Current assets:				
Cash and cash equivalents	\$ 25,643,462	\$ -	\$ 25,643,462	\$ 100
Equity in pooled cash and investments	-	-	-	7,264,032
Investments	18,235,874	-	18,235,874	-
Accounts receivable, net	779,837	-	779,837	-
Interest receivable	152,667	-	152,667	67,624
Due from other governments	310,389	-	310,389	-
Inventories	387,944	-	387,944	291,799
Prepaid items	81,520	-	81,520	-
Total unrestricted current assets	<u>45,591,693</u>	<u>-</u>	<u>45,591,693</u>	<u>7,623,555</u>
Restricted current assets:				
Cash and cash equivalents	1,662,520	299,702	1,962,222	-
Investments	24,392,721	-	24,392,721	-
Equity in pooled cash and investments	-	49,612	49,612	-
Accounts receivable	274,056	-	274,056	-
Total restricted current assets	<u>26,329,297</u>	<u>349,314</u>	<u>26,678,611</u>	<u>-</u>
Total current assets	<u>71,920,990</u>	<u>349,314</u>	<u>72,270,304</u>	<u>7,623,555</u>
Non-current assets:				
Capital assets, net:				
Land, easements and infrastructure	31,983,581	2,693,320	34,676,901	-
Depreciable capital assets, net	58,381,936	1,984,521	60,366,457	4,758,730
Construction-in-progress	1,001,419	-	1,001,419	-
Total capital assets, net	<u>91,366,936</u>	<u>4,677,841</u>	<u>96,044,777</u>	<u>4,758,730</u>
Deferred charges				
Bond issuance costs, net	295,032	-	295,032	-
Total non-current assets	<u>91,661,968</u>	<u>4,677,841</u>	<u>96,339,809</u>	<u>4,758,730</u>
Total assets	<u>\$ 163,582,958</u>	<u>\$ 5,027,155</u>	<u>\$ 168,610,113</u>	<u>\$ 12,382,285</u>

- CONTINUED -

HORRY COUNTY, SOUTH CAROLINA
 PROPRIETARY FUNDS
 BALANCE SHEETS
 - CONTINUED -

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Fund</u>
	<u>Department of Airports</u>	<u>Baseball Stadium</u>	<u>Totals</u>	
Liabilities and Net Assets				
Current liabilities:				
Accounts payable-trade	\$ 183,940	\$ -	\$ 183,940	\$ 47,316
Construction accounts and retainage payable	358,757	-	358,757	-
Accrued salaries, wages and compensated absences	393,197	-	393,197	15,208
Due to other funds	1,142,638	-	1,142,638	-
Other accrued expenses	452,735	-	452,735	-
Unearned revenue	189,388	-	189,388	-
Due to other governments	-	83,459	83,459	-
Capital leases payable - current portion	39,025	-	39,025	-
Amounts due to tenants, airlines, car rentals	541,850	-	541,850	-
	<u>3,301,530</u>	<u>83,459</u>	<u>3,384,989</u>	<u>62,524</u>
Current liabilities payable from restricted assets:				
Certificates of Participation - current portion	-	144,000	144,000	-
Revenue bonds payable - current portion	520,000	-	520,000	-
Accrued interest payable	300,270	48,942	349,212	-
Total current liabilities payable from restricted assets	<u>820,270</u>	<u>192,942</u>	<u>1,013,212</u>	<u>-</u>
Total current liabilities	<u>4,121,800</u>	<u>276,401</u>	<u>4,398,201</u>	<u>62,524</u>
Non-current liabilities:				
Certificates of Participation	-	1,879,500	1,879,500	-
Compensated absences - long term	820,497	-	820,497	-
Revenue bonds payable	10,172,171	-	10,172,171	-
Net other post-employment benefits obligation	155,363	-	155,363	-
Due to tenants for capital improvements	200,000	-	200,000	-
Capital leases	305,895	-	305,895	-
Total non-current liabilities	<u>11,653,926</u>	<u>1,879,500</u>	<u>13,533,426</u>	<u>-</u>
Total liabilities	<u>15,775,726</u>	<u>2,155,901</u>	<u>17,931,627</u>	<u>62,524</u>
Net assets:				
Invested in capital assets, net of related debt	80,374,878	2,605,399	82,980,277	4,758,730
Restricted for:				
Debt service	24,025,631	349,314	24,374,945	-
Capital projects	2,303,666	-	2,303,666	-
Fleet replacement	-	-	-	5,119,334
Unrestricted (Deficit)	41,103,057	(83,459)	41,019,598	2,441,697
Total net assets	<u>147,807,232</u>	<u>2,871,254</u>	<u>150,678,486</u>	<u>12,319,761</u>
Total liabilities and net assets	<u>\$ 163,582,958</u>	<u>\$ 5,027,155</u>	<u>\$ 168,610,113</u>	<u>\$ 12,382,285</u>

See accompanying notes to financial statements.

HORRY COUNTY, SOUTH CAROLINA
 PROPRIETARY FUNDS
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Department of Airports</u>	<u>Baseball Stadium</u>	<u>Totals</u>	
Operating Revenues				
Landing fees	\$ 2,271,303	\$ -	\$ 2,271,303	\$ -
Rents	3,971,709	-	3,971,709	-
Concessions and rentals	6,267,135	2,247	6,269,382	-
Security fees	200,826	-	200,826	-
Leases	1,164,700	-	1,164,700	-
Fuel sales - FBO	4,207,318	-	4,207,318	-
Other airline services	880,871	-	880,871	-
Charges for service	-	-	-	4,659,815
Other	685,409	720	686,129	15,007
Total operating revenues	<u>19,649,271</u>	<u>2,967</u>	<u>19,652,238</u>	<u>4,674,822</u>
Less, signatory airline contract operating rebate	<u>(754,539)</u>	<u>-</u>	<u>(754,539)</u>	<u>-</u>
Net operating revenues	<u>18,894,732</u>	<u>2,967</u>	<u>18,897,699</u>	<u>4,674,822</u>
Operating Expenses				
Salaries and benefits	5,955,075	14,256	5,969,331	879,611
Utilities	780,225	-	780,225	-
Outside and professional services	750,062	(35,211)	714,851	-
Maintenance and supplies	622,801	37,802	660,603	-
Fuel cost of sales	3,107,938	-	3,107,938	-
Vehicle and equipment expense	306,121	-	306,121	-
Insurance	235,848	35,497	271,345	-
Business and travel related	196,363	-	196,363	58,443
Office supplies	20,885	-	20,885	-
Supplies and materials	-	-	-	47,723
Horry County administrative costs	350,000	-	350,000	-
Depreciation and amortization	4,711,815	166,239	4,878,054	1,595,953
Indirect cost allocation	-	-	-	4,324
Contractual services	-	-	-	1,326,971
Capital Outlay	-	-	-	9,630
Other	-	78	78	-
Total operating expenses	<u>17,037,133</u>	<u>218,661</u>	<u>17,255,794</u>	<u>3,922,655</u>
Operating income (loss)	<u>1,857,599</u>	<u>(215,694)</u>	<u>1,641,905</u>	<u>752,167</u>

- CONTINUED -

HORRY COUNTY, SOUTH CAROLINA
 PROPRIETARY FUNDS
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 - CONTINUED -

	<u>Business-type Activities- Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Department of Airports</u>	<u>Baseball Stadium</u>	<u>Totals</u>	
Non-operating Revenues				
(Expenses)				
Passenger facility charges	256,368	-	256,368	-
Contract facility charges	2,929,086	-	2,929,086	-
Intergov't revenue City of Myrtle Beach	1,727,659	-	1,727,659	-
Redevelopment Authority grant revenue	71,250	-	71,250	-
Grant expenditures	(315,982)	-	(315,982)	-
Interest income	2,832,622	11,576	2,844,198	279,001
Interest expense	(1,607,144)	(97,883)	(1,705,027)	-
Gain on disposal/sale of property	68,772	-	68,772	121,278
Total non-operating revenues (expenses)	<u>5,962,631</u>	<u>(86,307)</u>	<u>5,876,324</u>	<u>400,279</u>
Net income (loss) before capital contributions and transfers	7,820,230	(302,001)	7,518,229	1,152,446
Capital Contributions	3,433,360	-	3,433,360	-
Transfers	-	311,450	311,450	-
Change in net assets	11,253,590	9,449	11,263,039	1,152,446
Net Assets				
Beginning of year	136,553,642	2,861,805	139,415,447	11,167,315
End of year	<u>\$ 147,807,232</u>	<u>\$ 2,871,254</u>	<u>\$ 150,678,486</u>	<u>\$ 12,319,761</u>

See accompanying notes to financial statements.

HORRY COUNTY, SOUTH CAROLINA
 PROPRIETARY FUNDS
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Business-Type Activities -- Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Department of Airports</u>	<u>Baseball Stadium</u>	<u>Totals</u>	
Cash Flows From Operating Activities				
Cash received from:				
Landing fees, terminal rents, concessions leases and other fees	\$ 12,993,226	\$ -	\$ 12,993,226	\$ -
FBO sales and services	5,046,273	-	5,046,273	-
Service and miscellaneous charges	-	-	-	4,674,822
Other	695,002	-	695,002	-
Cash paid to (for):				
Salaries and benefits	(5,549,070)	-	(5,549,070)	-
Maintenance, supplies, fuel, utilities and equipment	(6,273,972)	-	(6,273,972)	(2,265,761)
Baseball stadium	-	(55,786)	(55,786)	-
Other supplies and miscellaneous costs	-	-	-	(58,443)
Net cash provided by (used in) operating activities	<u>6,911,459</u>	<u>(55,786)</u>	<u>6,855,673</u>	<u>2,350,618</u>
Cash Flows From Non-Capital Financing Activities				
Repayment to federal government	(7,051,452)	-	(7,051,452)	-
Grant expenditures	(315,982)	-	(315,982)	-
Intergovernmental revenues	71,250	-	71,250	-
Transfers in	-	311,450	311,450	-
Net cash flows provided by (used in) non-capital financing activities	<u>(7,296,184)</u>	<u>311,450</u>	<u>(6,984,734)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Receipt of passenger and contract facility charges	3,832,622	-	3,832,622	-
Acquisition and construction of capital assets	(2,298,946)	-	(2,298,946)	(2,069,897)
Bonds redeemed with airport cash	(11,270,000)	-	(11,270,000)	-
Call premium on cash redemption	(225,400)	-	(225,400)	-
Principal payments on bonds and notes	(1,890,000)	-	(1,890,000)	-
Interest paid on bonds and notes	(1,438,247)	-	(1,438,247)	-
Principal payments on Certificates of Participation	-	(138,000)	(138,000)	-
Interest paid on Certificates of Participation	-	(100,884)	(100,884)	-
Principal payments on capital lease obligation	(37,703)	-	(37,703)	-
Receipt of intergovernmental and private grants	1,668,315	-	1,668,315	-
Proceeds from AIP and TSA grants	3,424,972	-	3,424,972	-
Proceeds from disposition of property and equipment	68,772	-	68,772	171,427
Net cash used in capital and related financing activities	<u>(8,165,615)</u>	<u>(238,884)</u>	<u>(8,404,499)</u>	<u>(1,898,470)</u>

- CONTINUED -

HORRY COUNTY, SOUTH CAROLINA
 PROPRIETARY FUNDS
 STATEMENTS OF CASH FLOWS
 - CONTINUED -

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Department of</u>	<u>Baseball</u>	<u>Totals</u>	<u>Activities -</u>
	<u>Airports</u>	<u>Stadium</u>		<u>Internal Service</u>
				<u>Fund</u>
Cash Flow From Investing Activities				
Investment purchases	(42,628,595)	-	(42,628,595)	-
Investment sales	26,951,756	-	26,951,756	-
Interest on investments	3,046,200	11,576	3,057,776	319,730
Net cash provided by (used in) investing activities	<u>(12,630,639)</u>	<u>11,576</u>	<u>(12,619,063)</u>	<u>319,730</u>
Net increase (decrease) in cash and cash equivalents	(21,180,979)	28,356	(21,152,623)	771,878
Cash and cash equivalents at beginning of year				
(of which \$6,172,791 is restricted)	48,486,961	320,958	48,807,919	6,492,254
Cash and cash equivalents at end of year				
(of which \$1,962,222 is restricted)	<u>\$ 27,305,982</u>	<u>\$ 349,314</u>	<u>\$ 27,655,296</u>	<u>\$ 7,264,132</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,857,599	\$ (215,694)	\$ 1,641,905	\$ 752,167
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	4,711,815	166,239	4,878,054	1,595,953
Change in certain assets and liabilities:				
(Increase) in accounts receivable, net	(45,847)	-	(45,847)	-
(Increase) in inventories	(119,993)	-	(119,993)	(25,046)
Decrease in prepaid items	34,609	-	34,609	-
(Decrease) in accounts payable	(64,357)	-	(64,357)	24,941
Increase in accrued salaries, wages and compensated absences	250,642	-	250,642	2,603
Increase in net other post-employment benefit obligation	155,363	-	155,363	-
(Decrease) in other accrued expenses	(73,521)	-	(73,521)	-
Increase in due to other funds	319,533	-	319,533	-
Increase in unearned revenue	18,969	-	18,969	-
(Decrease) in due to other governments	-	(6,331)	(6,331)	-
(Decrease) in amounts due to airlines	(133,353)	-	(133,353)	-
Decrease in deferred revenue	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 6,911,459</u>	<u>\$ (55,786)</u>	<u>\$ 6,855,673</u>	<u>\$ 2,350,618</u>
Supplemental information-noncash investing, capital and financing activities:				
Donated assets	<u>\$ 33,526</u>	<u>\$ -</u>	<u>\$ 33,526</u>	<u>\$ -</u>

See accompanying notes to financial statements.

HORRY COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 18,967,482
Equity in pooled cash and investments	190,967,819
Total Assets	<u>\$ 209,935,301</u>
Liabilities	
Due to others	\$ 209,935,301
Total liabilities	<u>\$ 209,935,301</u>

See accompanying notes to the financial statements.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Horry County, (the "County") a political subdivision of the State of South Carolina, was incorporated in the year 1801. Horry County is located in the northeastern coastal area of South Carolina. It is bounded on the north by the North Carolina state line, east by the Atlantic Ocean, west by Dillon and Marion Counties of South Carolina, and south by Georgetown County, South Carolina. The County seat and administrative offices are located in the city of Conway, South Carolina.

The County operates under a Council-Administrator form of government and is governed by a chairman and eleven council members.

The financial statements of the County have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the primary standard-setting body for governmental accounting and financial reporting principles.

These financial statements include the implementation GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2001. GASB Statement No. 34 established new financial reporting requirements for governments and caused the County to restructure much of the information that it presented in the past. Specifically, the Statement established specific standards for the basic financial statements, management's discussion and analysis (MD&A), and certain required supplementary information (RSI) other than the MD&A. In addition, the Statement requires the County to retroactively report its general capital assets, including infrastructure capital assets, in its government-wide statement of net assets, and report depreciation expense on all depreciable capital assets in the statement of activities. The Statement also required the County's general long-term indebtedness to be reported in its government-wide statement of net assets.

The County's more significant accounting policies are described below:

A. Reporting Entity

Using the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the basic financial statements of the County present the reporting entity of the County that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the County's financial statements to be misleading or incomplete.

Financial accountability involves either appointments of a voting majority of the separate organization's board and either a) the ability to impose will by the primary government, or b) the possibility that the separate organization will provide a financial benefit to or impose a financial burden on the primary government. "Blended" component units are separate entities that are, substantially, part of the primary government's operations and are combined with financial data of the primary government. "Discretely presented" component units, on the other hand, are reported in separate columns in the government-wide financial statements to indicate that they are not as closely related to the operations of the primary government. A summary of the County's blended and discretely presented component units follows:

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Blended Component Units

For the year ended June 30, 2008, the County had a blended component unit, Horry County Public Facilities Corporation (the "Corporation"). The Corporation is governed by a board comprised of the County Council. The Corporation entered into a \$1.3 million capital lease agreement for the construction and lease of building cooling equipment to the County. Proceeds of the capital lease were recorded by the County as other financing sources in the Capital Projects Fund with debt service requirements reflected in the County's General Debt Service Fund. The corporation does not issue separate financial statements.

Discretely Presented Component Units

The County has two discretely presented component units and both have a June 30 fiscal year end.

The Shoreline Behavioral Health Services (formerly known as Horry County Commission on Alcohol and Drug Abuse) (SBHS) is responsible for the coordination of all substance abuse prevention, intervention, treatment, and educational programs within Horry County Council's jurisdiction. County Council is responsible for the appointment of all members of SBHS's governing board and fiscal control.

The Horry County Solid Waste Authority (HCSWA) was created by Horry County Council to develop and implement a solid waste disposal and resource recovery/recycling system for the County. The HCSWA is governed by a board appointed by the County Council. The County Administrator serves as an ex-officio member of that board. Approval of all debt issuances and the legal liability for HCSWA operations remains with the County.

Complete financial statements for SBHS and HCSWA may be obtained at their respective administrative offices:

Shoreline Behavioral Health Services
2404 Wise Road
Conway, South Carolina 29526

Horry County Solid Waste Authority
1886 Highway 90
Conway, South Carolina 29526

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-Wide financial statements consist of a statement of net assets and a statement of activities and reports information on all of the non-fiduciary activities of the government as a whole. Separate columns are used to distinguish between the County's governmental and business-type activities and discretely presented component units. Governmental activities are generally those activities financed by taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds. Business-type activities are those activities which are financed in whole or in part by user fees charged to external parties for goods and services. These activities are usually reported in enterprise funds. The primary government is reported separately from certain legally separate component units. At June 30, 2008, the County's component units were Shoreline Behavioral Health Services and the Horry County Solid Waste Authority.

The statement of net assets reports all financial and capital resources of the County and reports the difference between assets and liabilities as "net assets", not fund balance or equity. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and reflects the "net (expenses) revenue" of the County's individual functions before applying "general" revenues. Eliminations have been made to minimize the double-counting of internal activities.

Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expense reported for individual functions and activities. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, and thus reducing the net cost of the function to be financed from the government's general revenues. Such revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. All revenues are general revenues unless they are required to be reported as program revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and enterprise fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column displayed as "other".

The County reports the following major governmental funds: General Fund, Hospitality 1.5% Fund, General Improvement Capital Projects, Capital Projects Sales Tax, and RIDE Program Debt Service Fund. The County reports the following 'major' proprietary funds: Department of Airports and Baseball Stadium.

A schedule of "other" non-major funds is presented separately as part of Other Financial Information. Because of the basis of accounting and reporting differences, summary reconciliations to the government-wide financial statements are presented at the end of each applicable fund financial statement.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

A summary of fund financial statement types follows:

Governmental Fund Types

General Fund - The General Fund is the main operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally or donor restricted to expenditures for specified purposes. Special revenue funds consists of the following: Fire, Accommodations Tax, Waste Management Recycling, Watersheds, Mt. Gilead, Socastee Recreation, Road Maintenance & CTC, Beach Nourishment, Grants, Admissions Tax, Hospitality Fee 1.0%, Victim Witness Assistance, Senior Citizen, Railroad, Arcadian Shores, CDBG Revolving Loan Program, Stormwater Management, GIS/IT, B&C Multi-County Business Park, E-911, Local Atax, Recreation, and Industrial Parks. Hospitality 1.5% Fee Fund, a major special revenue fund, accounts for revenue derived from countywide fees on sale of prepared food, car rentals, admissions and accommodations. These funds are earmarked for road construction-RIDE Projects.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities and equipment (other than those financed by the proprietary funds). Capital projects funds consist of the General Improvement and the Capital Projects Sales Tax Fund, which are major funds and the Capital Projects Developer Contributions Fund. The Capital Projects Sales Tax fund accounts for the one cent increase in sales tax legally restricted for infrastructure improvements and the Capital Projects Developer Contributions accounts for the donations made by developers for specific land improvements or other designated capital uses.

Debt Service Funds - Debt service funds account for the accumulation of financial resources for the payment of interest and principal on certain general long-term debt of the County, other than debt service payments financed by proprietary fund types. Debt service funds consist of the following: General Debt, Higher Education, Horry-Georgetown TECH (TECH), and Special Obligation Debt. The RIDE Program Fund, a major debt service fund, accounts for the funds accumulated for, and payment of principal, insured and uninsured portions, interest, and fees on intergovernmental loan agreements with the South Carolina Transportation Infrastructure Bank for the Horry County Road Improvement Development Efforts (RIDE) projects.

Proprietary Fund Types

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds consist of the following: Department of Airports and Baseball Stadium, which are both considered major funds. The Department of Airports Fund accounts for revenue and expenses for the operations of the Conway, Loris and Grand Strand general aviation airports, and the Myrtle Beach International Airport. The Baseball Stadium Fund accounts for revenue and expenses for the operation of a minor league professional baseball stadium jointly owned and operated with the City of Myrtle Beach.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Internal Service Fund - Internal Service Funds are used to account for operations that provide goods and services to other departments or agencies of the primary government, or to other governments, on a cost-reimbursement basis. The only internal service fund is Fleet Services. The Fleet Service Fund accounts for the maintenance and service of all County vehicles including heavy and light equipment.

Fiduciary Fund Type

Agency Funds - Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and for other funds. Agency Funds are custodial in nature (assets equal liabilities), do not involve measurement of results of operations, and consist primarily of property taxes and other revenues collected, temporarily retained and distributed by the County Treasurer to other governments in accordance with state of South Carolina Statutes.

Discretely Presented Component Units - For the government-wide financial statements, the accounts of the discretely presented component units SBHS and HCSWA are presented under the basis of accounting as an enterprise fund, as described above.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Under GASB Statement No. 34, the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds, which are the only fiduciary funds of the County, do not have a measurement focus. As a general rule, revenues and expenses are recorded when transactions occur, 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 grantor have been met. Additionally, the effects of interfund activities are eliminated from the government-wide financial statements, except for amounts due between the County's governmental activities and business-type activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be identified and "available" means collectible within the current period or soon enough thereafter (generally not to exceed 60 days) to be used to pay liabilities of the current 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.

Those revenues susceptible to accrual are property taxes, charges for services, and hospitality fees. Revenues from state and federal grants are recorded when expenditures are incurred. Entitlements and shared revenues are recognized at the time of receipt or earlier if the susceptible to accrual criteria is met. Interest revenue is considered available when earned. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include fees and fines (except hospitality fees), licenses and permits.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the County before it has a legal claim to them, as when grant money is received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

All proprietary funds and the discretely presented component units are accounted for on a flow of economic resources measurement focus. Under this method, the accrual basis of accounting is utilized, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net assets by distinguishing operating revenues and expenses from non-operating 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. Operating expenses for enterprise funds and internal services 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 non-operating revenues and expenses.

As permitted under GAAP, the County has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 for its enterprise funds and discretely presented component units.

The County's fiduciary fund type consists of only agency funds, which are custodial in nature and do not involve measurement of results of operations. Agency funds use the same basis of accounting as proprietary fund types, accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts, signatory airline rebates, and certain claims and judgment liabilities (e.g., rebatable arbitrage), among other accounts. Actual results could differ from those estimates.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash Equivalents and Equity in Pooled Cash and Investments

In March 2003, the GASB issued its Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. The Statement requires specific disclosures for credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. It also modifies GASB Statement No. 3 by limiting the required disclosure of custodial credit risk to "category 3" deposits and investments. This Statement was implemented by Horry County for the year ended June 30, 2005.

Cash includes currency on hand, demand deposits with financial institutions and other accounts that have the general characteristics of demand deposits in that additional funds may be deposited any time and withdrawn without prior notice or penalty.

The County pools the cash of substantially all funds into an internal cash and investment pool that is available for use by all funds with the exception of the school district portion of the agency fund which has its own cash and investment pool, and where legal restrictions prohibit the commingling of funds. Allocation of interest earned is made to each fund based on pro rata equity. Each individual fund's portion of the pool is displayed on the combined balance sheet as "equity in pooled cash and investments".

The County's Department of Airports Enterprise Fund and the discretely presented component units, SBHS and HCSWA, maintain separate cash and investment accounts, generally in the form of cash in-the bank, certificates of deposit, and repurchase agreements.

For purposes of the statement of cash flows for the proprietary fund, cash equivalents are deposit accounts (including restricted assets other than deposits with other agencies) with an original maturity of three months or less from date of purchase, and other short-term highly liquid investments that are readily convertible to known amounts of cash.

Investments

Investments are stated at fair value, with accrued interest shown under a separate caption on the financial statements. Reinvested interest on certain debt service and capital projects investments is included in the investment accounts. At June 30, 2008, the fair value of the County's investments approximated cost.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are stated net of their allowance for uncollectible amounts. Receivables in governmental funds include revenue accruals that are recognized when they become measurable and available as previously defined.

Property taxes receivable represents delinquent and unpaid real and personal property taxes billings (five years for vehicle personal property taxes and ten years for all other property taxes), less an allowance for amounts estimated to be uncollectible.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note. 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (continued)

Due from Other Governments

Receivables from State, Federal, or other local governmental agencies are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out method for the primary government and the discretely presented component unit, SBHS, and the average cost method for the discretely presented component unit, HCSWA.

Inventories in the general fund consist of office supplies. The cost of these supplies is recorded as an expenditure at the time the items are consumed. Inventories in the Road Maintenance/CTC Special Revenue fund are construction materials held for construction. Inventories in the Recreation Special Revenue fund are park passes held for resale. Inventories in the Department of Airports Enterprise Fund consist of supplies, parts and aviation fuel held for resale. Inventories in the Internal Service fund consist of parts for servicing vehicles and equipment.

Inventories of the discretely presented component unit, SBHS, consist of expendable supplies held for consumption. Inventories of the discretely presented component unit, HCSWA, consist of expendable office supplies held for consumption and bags provided to the public for use and separation of recyclable materials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported inventories and prepaid items in the governmental fund types are equally offset by a fund balance reserve, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditure or expense (transfers out) in the reimbursing fund and as reductions of the expenditure or expense (transfers in) in the fund that is reimbursed.

Restricted Assets

Restricted assets include monies or other resources, the use of which is restricted by legal or contractual requirements. In the enterprise fund, restricted assets arise from certain bond, contract ordinances, or grant agreements and consist of certain bond debt service and reserve accounts, and receivables associated with Passenger Facility Charges (PFC's) and Contract Facility Charges (CFC's). Restricted assets of the discretely presented component unit, HCSWA, represent funding for the implementation of a waste tire management program.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (continued)

Capital Assets and Depreciation

Capital assets, which include land, buildings, improvements, machinery and equipment, construction in progress and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets used in the operations of governmental funds and are not specifically related to activities reported in proprietary or fiduciary funds, have been reported as assets in the governmental activities column of the government-wide financial statements. Capital assets are defined by the County as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The County has chosen the modified approach of accounting for infrastructure under GASB Statement No. 34. Under the modified approach, infrastructure is treated as an inexhaustible capital asset, thereby eliminating the need for depreciation accounting. The County must demonstrate that they are maintaining networks or subsystems of infrastructure assets at a selected condition level to qualify to use the modified approach.

All capital assets are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Public domain (infrastructure) capital assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) have been capitalized using actual and estimated historical costs of major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements in fiscal years ending after June 30, 1980.

Depreciation of all exhaustible capital assets has been provided using the straight-line method over the estimated useful lives of the respective assets ranging as follows: land improvements and easements, 20-40 years; buildings, 10-40 years; runways and taxiways, 40 years; and equipment, 3-15 years.

The County's discretely presented component units' capital assets are stated at cost less accumulated depreciation. Depreciation of HCSWA's Subtitle D landfill is calculated based on the percent of the landfill's capacity used times the cost basis.

Capitalization of Interest

Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset being constructed, net of interest earned on the invested proceeds over the same period. With regard to assets acquired with tax-exempt debt, the amount of interest to be capitalized is calculated by offsetting interest expense on the tax-exempt debt with interest earned on invested proceeds from the date of the borrowing until completion of the project. With regard to assets not acquired with tax-exempt debt, the amount of interest to be capitalized is the product of the average accumulated expenditures during the year for such assets and the weighted average interest rate on borrowings and is limited to the sum of interest expense on the tax-exempt debt not previously capitalized and all other interest expense. Interest is not capitalized on assets acquired or constructed with gifts and grants (contributed capital) that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such grants and gifts. The County has elected not to capitalize interest on its general capital assets. During the year ended June 30, 2008, there were no material capitalized interest costs incurred.

Deferred Charges (Bond Issuance Costs)

Bond issuance costs including bond premiums and discounts are deferred and amortized over the life of the related bond issue using the straight-line method. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (continued)

Compensated Absences

The government-wide and proprietary fund financial statements record an expense and a liability when employees earn compensated absence credits. Governmental fund financial statements record a liability for compensated absences payable at June 30 only if the liability has matured but has not yet been paid at that date (for example, as a result of employee resignations and retirements).

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Long-term debt represents unmatured principal of general and special obligation and revenue bond indebtedness. Other long-term obligations represent outstanding net present value portions due on capital lease obligations, long-term contracts using actual or imputed interest rates and long-term portions of claims or judgments including rebatable arbitrage. Liabilities arising from interfund activities do not constitute general long-term liabilities.

Part of the County's long-term obligations is its Road Improvement and Development Effort (RIDE) program. This obligation represents borrowings by the County from the State of South Carolina for the purpose of constructing and improving state roads. Since these roads are property of the State and are capitalized in the State's basic financial statements, these RIDE obligations are recorded as public works expenses as incurred. The County has determined that these roads are not assets of the County. These obligations are funded by a special 1.5% hospitality fee passed into law by the County to fund these improvements. See Notes 8 and 17 for further discussion.

Net Assets and Fund Balances

In the government-wide financial statements, the difference between the County's total assets and total liabilities represents net assets. Net assets for both the governmental and business-type activities displays three components - invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

In the fund financial statements, governmental funds report reservations or designations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose or has already been committed.

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. Designated fund balances represent tentative plans by management for future use of available financial resources.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (continued)

Non-exchange Transactions, Contributed Capital and Transfers

Pursuant to GASB Statement No. 33 *Accounting and Financial Reporting for Non-Exchange Transactions*, deeded properties and Federal, state and local government assistance in the form of non-operating grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment have been recorded after non-operating revenue as required by GASB Statement No. 34.

Grants and fees that are considered program-related are recognized as operating revenue. The Department of Airports Enterprise Fund is a recipient of certain Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants. These capital cost-reimbursed grants have been recognized as non-operating capital contributions.

Passenger Facility Charges

Passenger Facility Charges ("PFC'S") collected pursuant to Federal Aviation Administration (FAA) regulations from enplaned passengers via airlines' remittances are restricted for future construction, capitalization, and related debt services of the Airport as approved by the FAA.

Contract Facility Charges

Contract Facility Charges ("CFC'S") collected pursuant to certain agreements on automobile rentals, are restricted for debt service and future construction projects related to automobile rental tenants.

Lease Accounting

The revenue from terminal building space rentals and other leased sites is accounted for under the operating lease method. Base monthly rentals are computed on the square footage occupied by the tenant times the rent per square foot, which varies with each tenant. Tenant leases are normally for periods of three to five years with options to renew; however, lease terms provide for early termination by either party with a 30-day notification. Annual rent increases are primarily based on annual increases in the Consumer Price Index, where applicable.

In addition, lease revenues from airlines are based on certain compensatory "signatory" and "non-signatory" airline lease and use agreements which are subject to annual rate negotiations. Lease costs, if material, are deferred and amortized over the life of the lease. There were no material lease costs for the year ended June 30, 2008.

Property Taxes

The County assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property owned and used in the County, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget process.

Real property and all personal property other than vehicles are assessed for property tax purposes as of December 31 of each year. The basis for value of taxable real property within the County is taken from the records of the County Assessor. Taxes are levied by the County Auditor as of January 1, billed in October, and are due by January 15 in the year following their levy. Tax billings are considered delinquent 166 days after the first billing date, at which time the applicable property is subject to lien, and interest and penalties are assessed.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses (continued)

Property Taxes, continued

New vehicle property taxes are assessed and levied by the County Auditor within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Department of Transportation and payment is due before the end of the month of the scheduled renewal.

County property tax revenues are recognized at the time of levy for the budget period to which they apply. Delinquent and unpaid property taxes are reported as receivables, less amounts estimated to be uncollectible.

Indirect Cost Allocations

The County records interdepartmental cost allocations designed to redistribute general fund operating expenditures to other governmental and proprietary funds. These allocations are based upon cost allocation plans prepared in accordance with United States Office of Management and Budget requirements and include an estimate of allocable costs based upon the cost allocation plan for the year ended June 30, 2005.

Future Landfill Closure and Postclosure Care Costs

In accordance with GASB Statement No. 18, *Accounting For Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the discretely presented component unit, HCSWA, recognizes expenses for landfill closure and postclosure care costs over the life of the landfill's operation in proportion to the usage of the landfill's total capacity. Federal and state regulations related to landfill closure procedures are comprehensive and require postclosure care and monitoring for a period extending thirty (30) years after closure.

E. Reclassification

Certain items in the prior year have been reclassified to conform with the current year presentation.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

Annual appropriated legal-based budgets are adopted by County Council for governmental fund types including the general, and certain special revenue, debt service, and capital projects funds. Budgetary comparisons to actual of the general fund and the one major special revenue fund are presented as Required Supplementary Information. Additionally, budgetary controls are maintained for certain proprietary fund types. For example, annual operating and capital budgets are prepared for the Department of Airports, Baseball Stadium, and Fleet Services for fiscal year ended June 30, 2008, which were approved and adopted by County Council. However, budgetary comparisons to actual for proprietary fund types are not required to be presented in the accompanying basic financial statements.

The policy established by the County with respect to the Budget is substantially the same as GAAP, with one exception. The County's budget basis accounting differs from GAAP in accounting for capital lease financing transactions. For budgetary basis accounting, these transactions are not recorded as other financing sources when funded and expenditures when the equipment is acquired, as required by GAAP. However, there is no difference in fund balance because of this, thus the County considers its budget to be GAAP basis.

Prior to July 1 of each year, the budget is legally enacted by the passage of an ordinance. The ordained budget includes proposed expenditures and the means of financing them. The County's budget serves as an approved plan to facilitate financial control and operational evaluation. Additional budget appropriations must be approved by County Council at the fund level of expenditures.

The County Administrator is authorized to transfer budgeted amounts between departments when deemed necessary and upon request from the department head. Total expenditures in any one of the governmental fund types may exceed the original ordained budgeted amount for that fund without prior amendment by County Council. Accordingly, formal budgetary integration is employed at the fund-level as a management control device during the year.

At fiscal year end June 30, 2008, any funds budgeted for capital projects which have not been completed and said funds have not been budgeted to other capital projects, road maintenance fees and funds budgeted for the local road improvement plan other than personal services, which have not been expended, other County Council road improvement, parks maintenance and recreation funds which have not been expended, grant funds or donations which have not been expended, Stormwater management funds which have not been expended, funds for mosquito abatement which have not been expended, funds for E911 Enhancements which have not been expended, funds for Maintenance capital equipment and Life Cycle Program which have not been expended, funds for County Council expense accounts which have not been expended, funds for capital items authorized by purchase order but not received, accommodations tax funds approved by the Accommodations Tax Committee and County Council which have not been expended, shall reflect as a designation of fund balance in the Comprehensive Annual Financial Report and shall be brought forward in the fiscal year 2009 as budgeted fund balance and not represented in the approved revenue and expenditure budget amounts. This automatic re-budgeting does not require a supplemental budget ordinance.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance and Accountability (continued)

B. Encumbrances

Under encumbrance accounting, outstanding purchase orders, contracts, and other commitments for unperformed contracts and goods and services are recorded in order to reserve that portion of the applicable appropriation in the governmental fund types. At year-end, encumbrances are carried forward and are reported as reservations of fund balances. Certain of the encumbrances will be satisfied by the subsequent receipt of grants or entitlements.

Note 3. Deposits and Investments

State Statute authorizes the County to invest in (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units provided such obligations are rated as an "A" or better by Moody's Investors Service, Inc. and Standard and Poor's Corporation or their respective successors; (3) interest bearing accounts in 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 collaterally secured by securities of the type described 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, provided, however, such collateral shall not be required to the extent the same are insured by an agency of the Federal Government; (5) or deposit accounts with banking institutions insured and secured in the same manner. The Statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash.

a. Deposits

Custodial Credit Risk

Custodial credit risk for deposits is risk that in the event of a depository financial institution's failure, the County will not be able to recover insurance or collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the County Treasurer are fully insured or collateralized. As of June 30, 2008, reported amount of the primary government's deposits was \$501 million and the bank balance was \$496 million. Of the \$496 million bank balance exposed to custodial credit risk, \$3.6 million was covered by federal depository insurance, and \$492.4 million was collateralized with securities held by the counterparty's trust department or agent in the County's name.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

b. Investments

Investment Policy

All of the County's investments are presented at fair value, which approximates cost. Securities are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned.

Investments consisted of the following at June 30, 2008:

	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Repurchase Agreements	<1 year	AAAm	\$18,820,287	84.06%
Repurchase Agreements	<1 year	Not Rated	\$ 1,538,724	6.87%
Mortgage Backed Securities	<1 year	AAA	<u>\$41,237,066</u>	9.07%
			<u>\$61,596,077</u>	

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the County will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The primary government's repurchase agreements are fully collateralized with U.S. Government Securities. The County's policy with respect to custodial credit risk is that all of the County's investments must be insured or collateralized.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the County. The County's credit risk policy to mitigate the potential for loss of principal is to purchase only high investment grade fixed-income securities. The County's repurchase agreements are fully collateralized by U.S. Government Securities and are not subject to credit risk. The County's respective investment credit quality ratings are as noted above.

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. All of the County's investments have maturity terms less than 1 year which mitigates interest rate fluctuations. The County's respective maturity dates are as noted above. The County does not have a policy with respect to interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The County does not have a policy for reducing this risk to any single issuer. As of June 30, 2008, the County had 18.83% of its investments invested with The Bank of New York and 81.17% of its investments invested with U.S. Bank.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

The County does not invest in foreign securities or have transactions with foreign currency, and as a result does not have a policy for foreign currency risk.

Component Units

HCSWA:

A. Deposits

At June 30, 2008, the carrying amount of the HCSWA's total cash deposits, including certificates of deposit, was \$27,825,753 with corresponding bank balances of \$27,880,926. Of that balance, \$800,000 was covered by federal depository insurance and \$27,080,926 was collateralized with securities held by the pledging financial institutions' trust department in the HCSWA's name. At year end, petty cash on hand totaled \$1,500.

Custodial credit risk is the risk that in the event of a bank failure, the HCSWA's deposits may not be returned to it. The HCSWA's deposit policy for custodial credit risk requires all deposits in excess of federal depository insurance to be collateralized with securities held by the pledging financial institution's trust department in the HCSWA's name.

B. Investments

Investments are stated at fair value. Changes in the fair value of investments are included as a component of investment income. The HCSWA uses quoted market prices to determine the fair value of investments.

In accordance with formal resolutions of the HCSWA's Board of Directors, cash, cash equivalents and investments have been designated for the following purposes at June 30, 2008 and are not considered to be available to pay for operating expenses:

Landfill Closure Costs	\$ 6,143,384
Landfill Postclosure Care Costs	8,091,012
Equipment Replacement	2,994,493
Construction	9,897,037
	<u>\$ 27,125,926</u>

SBHS:

A. Deposits

It is the Commission's policy for deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation Insurance.

At June 30, 2008, the carrying amount of SBHS's deposits was \$95,305, with corresponding bank balances of \$186,791. The entire amount is insured or collateralized with securities held by SBHS or by its agent in SBHS's name.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

B. Investments

SBHS does not have policies with respect to credit rate risk, interest rate risk, concentration of credit risk or foreign currency risk. At June 30, 2008, SBHS's investments, with a carrying and fair value of \$91,486, were in repurchase agreements and were collateralized with securities held by the counterparty, or its trust department or agent but not in the SBHS's name.

A reconciliation of deposits and investments to cash and cash equivalents shown on the government-wide, fiduciary financial statements and discretely presented component units (SBHS and HCSWA) is as follows:

(amounts shown in thousands)

	Primary		Fiduciary Fund	Total	Discretely Presented Component Units	
	Government	Agency			SBHS	HCSWA
Cash on hand	\$ 21	\$ -	\$ -	\$ 21	\$ -	\$ 1
Carrying amount of deposits	309,920	190,968	-	500,888	95	27,826
Carrying amount of investments	42,629	18,967	-	61,596	92	2,420
Totals	\$ 352,570	\$ 209,935	\$ -	\$ 562,505	\$ 187	\$ 30,247
Cash and cash equivalents	\$ 35,707	\$ 18,967	\$ -	\$ 54,674	\$ 187	\$ 4,964
Equity in pooled cash and investments	235,427	190,968	-	426,395	-	-
Investments	18,236	-	-	18,236	-	25,283
Funds held in escrow	5,232	-	-	5,232	-	-
Cash and cash equivalents -restricted	1,962	-	-	1,962	-	-
Equity in pooled cash & investments- restricted	50	-	-	50	-	-
Investments-restricted	24,393	-	-	24,393	-	-
Funds held in trust - restricted	31,563	-	-	31,563	-	-
Totals	\$ 352,570	\$ 209,935	\$ -	\$ 562,505	\$ 187	\$ 30,247

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

Receivables for the primary government, including applicable allowances for uncollectible accounts, at June 30, 2008, are as follows:

	<i>(amounts shown in thousands)</i>			
	Government Activities	Business-type Activities		Totals
	Department of Airports	Baseball Stadium		
Property taxes	\$ 12,764	\$ -	\$ -	\$ 12,764
Less, allowance for uncollectibles and amounts not available for current period	(7,873)	-	-	(7,873)
Net property taxes	<u>4,891</u>	<u>-</u>	<u>-</u>	<u>4,891</u>
Accounts and other	30,076	1,074	-	31,150
E911 fees	77	-	-	77
Hospitality 1.5% fees	4,482	-	-	4,482
Stormwater fees	25	-	-	25
Less, allowance for uncollectibles	(24,970)	(294)	-	(25,264)
	<u>9,690</u>	<u>780</u>	<u>-</u>	<u>10,470</u>
Net receivables	<u>\$ 14,581</u>	<u>\$ 780</u>	<u>\$ -</u>	<u>\$ 15,361</u>

Property taxes receivable include delinquent and unpaid taxes, penalties and interest, if applicable, and is reported in the accompanying financial statements of the primary government net of that portion not available for current year budget appropriations as levied.

Accounts receivable include amounts owed to the County as a result of magistrates court, clerk of court fines and assessments, and billings relating to emergency medical transportation.

Receivables at June 30, 2008 for the discretely presented component unit HCSWA totaled \$1,705,953 and included amounts from trade accounts receivable, amounts due from other governments, interest and allowance for doubtful accounts.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Receivables and Payables

In the government-wide statement of net assets, interfund receivables and payables (internal balances) between governmental activities and Business-type activities have been eliminated. In the governmental and proprietary funds financial statements, short-term interfund receivables and payables at June 30, 2008 were as follows:

	(amounts shown in thousands)	
	Interfund Receivable	Interfund Payable
General Fund	\$ 3,180	\$ 173
Major Special Revenue Fund- 1.5% Hospitality Fees	-	7,002
General Improvements Capital Projects	387	-
Major Debt Service Fund- Ride	7,021	-
Nonmajor Funds:		
Fire	4	-
Accommodations Tax	18	171
Road Maintenance	631	-
Beach Renourishment	127	821
Admissions Tax	-	28
Hospitality 1%	-	702
Victim Witness	-	153
Arcadian Shores	-	332
Emergency 911	-	162
Local Atax	-	467
Recreation	-	214
Total Nonmajor Funds	780	3,050
Enterprise Funds:		
Department of Airports	-	1,143
Total Enterprise Funds:	-	1,143
	<u>\$ 11,368</u>	<u>\$ 11,368</u>

Amounts due between primary governments and component units were as follows:

	Interfund Receivable	Interfund Payable
Primary government:		
General Fund	\$ -	\$ 90
Waste Management Recycling Fund	-	408
General Improvement Capital Projects Fund	64	-
Component units:		
SHBS	90	-
HCSWA	344	-
	<u>\$ 498</u>	<u>\$ 498</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods or services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Receivables and Payables (continued)

The following table summarizes interfund transfers during the year ended June 30, 2008:

Description/Fund(s)	Transfers From/To
Transfers from the General Fund	
Transfers to:	
Capital Projects	\$ 5,449,107
Victim Witness	121,925
Beach Renourishment	116,107
Grants	194,839
	<u>5,881,978</u>
Transfers from the Hospitality 1.5% For Special Revenue Fund	
Transfers to:	
Ride Program	30,174,250
General Fund	492,542
	<u>30,666,792</u>
Transfers from the General Improvements Capital Projects Fund	
Transfers to:	
General Fund	211,300
	<u>211,300</u>
Transfers from Other Governmental Funds	
Transfers to:	
Capital Projects	4,882,648
Debt Service	1,857,554
General Fund	1,125,316
Public Works	3,018,589
Beach Renourishment	706,403
Baseball	311,450
Special Revenue Debt	1,959,825
Local Accommodations Tax	289,863
Ride Program	85,192
	<u>14,236,840</u>
	<u>\$ 50,996,910</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from the fund with the collection authorization to the appropriate fund recording the expenditures as they become due, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Note 6. Due From Other Governments

Amounts due from other governments for the primary governments and discretely presented component units at June 30, 2008 are as follows:

	<i>(amounts shown in thousands)</i>						
	Governmental Activities				Business-type Activities	Component Units	
	General	Special Revenue	Capital Projects	Total	Department of Airports	SBHS	HCSWA
State	\$ 3,393	\$ 2,270	\$ 28,308	\$ 33,971	\$ 90	\$ 22	\$ -
City	-	-	-	-	59	-	-
Federal	96	688	-	784	161	-	-
Total	<u>\$ 3,489</u>	<u>\$ 2,958</u>	<u>\$ 28,308</u>	<u>\$ 34,755</u>	<u>\$ 310</u>	<u>\$ 22</u>	<u>\$ -</u>

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

A summary of the changes in capital assets during the year ended June 30, 2008 are as follows:

(amounts shown in thousands)

Governmental Activities	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
<u>General Capital Assets</u>				
Not subject to depreciation:				
Land and easements	\$ 14,097	\$ 167	\$ (796)	\$ 13,468
Infrastructure	383,345	18,036	(445)	400,936
	397,442	18,203	(1,241)	414,404
Construction-in-progress	6,407	15,839	(17,037)	5,209
Total capital assets not depreciated	403,849	34,042	(18,278)	419,613
Subject to depreciation:				
Land improvements	2,134	233	-	2,367
Buildings	96,660	17,189	-	113,849
Building improvements	12,671	228	-	12,899
Office furniture	5,088	69	(20)	5,137
Vehicles	4,083	2,783	(1,615)	5,251
Heavy equipment	29,373	279	(523)	29,129
Computer equipment	26,260	9,269	-	35,529
Other	1,980	427	-	2,407
Totals	178,249	30,477	(2,158)	206,568
Less, accumulated depreciation:				
Land improvements	(676)	(145)	-	(821)
Buildings	(27,426)	(3,416)	-	(30,842)
Building improvements	(1,638)	(480)	-	(2,118)
Office furniture	(3,957)	(656)	20	(4,593)
Vehicles	(2,684)	(1,904)	1,592	(2,996)
Heavy equipment	(21,238)	(712)	519	(21,431)
Computer equipment	(14,296)	(4,829)	-	(19,125)
Other	(1,597)	(169)	-	(1,766)
Totals	(73,512)	(12,311)	2,131	(83,692)
Net general capital assets	508,586	52,208	(18,305)	542,489
<u>Internal Service Fund Capital Assets</u>				
Machinery and equipment	11,512	2,069	(1,484)	12,097
Less, accumulated depreciation	(7,176)	(1,596)	1,434	(7,338)
Net internal service fund capital assets	4,336	473	(50)	4,759
Net capital assets - Governmental Activities	\$ 512,922	\$ 52,681	\$ (18,355)	\$ 547,248

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (continued)

	<i>(amounts shown in thousands)</i>			
Business-type Activities	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Not subject to depreciation:				
Land and easements	\$ 25,502	\$ -	\$ (7)	\$ 25,495
Infrastructure	9,182	-	-	9,182
	34,684	-	(7)	34,677
Construction in progress	518	2,082	(1,600)	1,001
Total capital assets not depreciated	35,202	2,082	(1,607)	35,678
Subject to depreciation:				
Buildings and improvements	53,521	50	(2)	53,569
Runways and taxiways	43,342	536	-	43,878
Machinery and equipment	10,903	1,003	(379)	11,527
Land improvements	6,659	9	-	6,668
Totals	114,425	1,598	(381)	115,642
Less accumulated depreciation:				
Buildings and improvements	(22,710)	(1,875)	2	(24,583)
Runways and taxiways	(18,814)	(1,755)	-	(20,569)
Machinery and equipment	(6,130)	(823)	379	(6,574)
Land improvements	(3,165)	(384)	-	(3,549)
Totals	(50,819)	(4,837)	381	(55,275)
Net capital assets - Business-type Activities	\$ 98,808	\$ (1,157)	\$ (1,607)	\$ 96,045

Capital assets of the discretely presented component units, HCSWA and SBHS at June 30, 2008, are as follows:

	<i>(amounts shown in thousands)</i>	
Component Units	SBHS	HCSWA
Land	\$ 138	\$ 7,440
Subtitle D landfill	-	19,139
Buildings	1,455	10,403
Vehicles, machinery and equipment	139	13,631
Other improvements	-	3,065
Construction-in-progress	-	1,365
Totals	1,732	55,043
Less, accumulated depreciation:		
Subtitled D landfill	-	(14,830)
Buildings	(423)	(1,228)
Vehicles, machinery and equipment	(121)	(5,867)
Other improvements	-	(557)
Totals	(544)	(22,482)
Net capital assets - Component Units	\$ 1,188	\$ 32,561

HORRY COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (continued)

Construction-in-progress amounts included above are as follows:

Governmental Activities	<i>(amounts shown in thousands)</i>
Jail Renovation	\$ 3,835
Public Works South Satellite Building	176
Public Works Office expansion	538
EMS Loris Addition	8
Recreation	3
Horry County Museum	558
Fire Stations	16
Libraries	75
Total	<u>\$ 5,209</u>

Estimated total costs to complete these projects approximates \$16 million.

Business-type Activities: (Department of Airports)	<i>(amounts shown in thousands)</i>
T-Hangars at MYR	\$ 44
Update ALP	88
GA Terminal Complex	358
ARFF Building	61
Pavement Management Study	10
Fuel Farm Improvements at HWY	25
Terminal Capacity Enhancement Program	325
Other capital improvements	37
ARFF Equipment for new ARFF vehicle	10
Loris Land Purchase 1 & 2	43
Total	<u>\$ 1,001</u>

Estimated additional costs to complete these projects are estimated at \$7.1 million.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (continued)

Capital assets of the proprietary funds at June 30, 2008, are as follows:

<u>Proprietary Funds</u>	<i>(amounts shown in thousands)</i>		
	<u>Enterprise</u>		<u>Internal Service</u>
	<u>Department of Airports</u>	<u>Baseball Stadium</u>	<u>Fleet Service</u>
Land and easements	\$ 22,802	\$ 2,693	\$ -
Buildings and improvements	56,882	3,356	-
Runways and taxiways	43,877	-	-
Machinery and equipment	11,200	327	12,097
Construction-in-progress	1,001	-	-
Infrastructure	9,182	-	-
Totals	144,944	6,376	12,097
Less, accumulated depreciation:			
Building and improvements	(26,648)	(1,698)	-
Runways and taxiways	(20,569)	-	-
Machinery and equipment	(6,360)	-	(7,338)
Totals	(53,577)	(1,698)	(7,338)
Net capital assets -proprietary funds	\$ 91,367	\$ 4,678	\$ 4,759

Department of Airport Facilities

Prior to March 1993, the Airport used certain airfield facilities of the Myrtle Beach Air Force Base through a joint-use agreement, originally executed in the mid 1970's, with the United States Air Force (USAF). Coincident with the execution of the joint-use agreement, the Air Force and Horry County executed the Base Lease agreement which leased to the County the acreage on the air force base on which to operate the airport terminal. In March 1993, the base was officially closed and the joint-use agreement was terminated. At the time of closure, the Air Force extended the Base Lease agreement with the County to include the airfield facilities previously used by the airport in accordance with the joint use agreement.

The term of the Base Lease agreement was extended to December 31, 2028. The agreement called for the transfer of ownership of the property in fee simple to the County from UASF for the land and facilities at the end of the lease, but contemplated an earlier transfer based upon the USAF meeting certain criteria set forth in the agreement. The transfer of ownership was completed on June 17, 2003, and a fee simple deed to the property was recorded in the County's name in the Register of Deeds office of Horry County on that date. The property transferred excluded portions of Myrtle Beach International Airport (MBIA) property which are still undergoing environmental remediation and cleanup efforts by the United States Government.

With respect to the airfield, aprons, taxiways, drainage system, etc., associated with the USAF property conveyance, no historical or estimated values are available. Until such time that a fair market value can be established, a value of \$1.00 has been recorded representing "Land" and "Navigation Easements". Buildings and structures are being specifically identified and recorded at fair value at the date of the gift.

Horry County Department of Airports is obligated by the Federal Aviation Administration to maintain a current Airport Layout Plan (ALP). In order to maintain a current ALP, the Department reviews and updates its Master Plan every five years. The Airport is scheduled to update the ALP in fiscal year 2009. The Master Plan forecasts activities and needs of the Airport and its infrastructure for a twenty year period.

Depreciation allocation

The amount of depreciation charged to each governmental function for the year ended June 30, 2008 is as follows: general government (\$4,796,941); public safety (\$5,978,226); Infrastructure and regulation (\$1,050,568); culture and recreation (\$454,481) and health and social services (\$77,578). Capital assets held by the Internal Service Fund (\$1,595,953).

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt

Long-term debt at June 30, 2008, is comprised of general and special obligation bonds, revenue bonds, RIDE - Intergovernmental Loan Agreements (IGA), accumulated compensated absences liability, and long-term capital leases.

General Obligation (G.O.) bonds are issued to provide funds for the acquisition and construction of major capital facilities and equipment. G.O. bonds are direct obligations that pledge the full faith, credit and taxing power of the County. The South Carolina Constitution limits local government units borrowing power to eight percent of its assessed property values. The limitation excludes bonded indebtedness existing prior to December 1, 1997, (date of the Constitutional Amendment), certain special levies assessed on properties located in specific areas receiving special benefits, and other prescribed indebtedness approved by the voters.

Special Obligation bonds are issued to provide funds for the acquisition and construction of major capital facilities and equipment and are secured by the pledge of the 1.5% Hospitality Fees Special Revenue Fund revenues (Special Fund portion) of the County.

Revenue bonds are issued to provide funds for the acquisition and construction of major capital facilities and are secured by the pledge of specific net revenues of the County. Such revenue bonds are recorded in the Enterprise Funds.

The County has also entered into certain RIDE-IGA with the State of South Carolina Transportation Infrastructure Bank.

Special obligation bonds, revenue bonds, and RIDE-IGA Loans are limited obligations of the County and do not constitute the general obligations, or pledge of the faith, credit or taxing power of the County or any other political subdivision.

On September 1, 2005, the County issued \$30,000,000 of General Obligation Refunding Bonds, Series 2005A (the "2005A Bonds") with interest rates ranging from 3.500% to 4.125%. The net proceeds of the 2005A Bonds were placed in an irrevocable trust account and were issued to partially defease the 2000 General Obligation Bonds- Judicial Center, including payment of the prepayment penalty on the Bonds. The 2005A Bonds are payable through March 2022, and the full faith, credit and taxing power of the County are irrevocably pledged for the payment thereof. As a result of the transaction, the County reduced total debt service payments by \$6,878,384 and realized an economic gain (difference between the present values of the old and new debt service payments) of \$1,379,795. The outstanding principal balance of the 2005A Bonds at June 30, 2008 was \$30.00 million.

The 2005A Bonds are not subject to redemption on or prior to March 1, 2016. The 2005A Bonds maturing on or after March 1, 2017, are subject to redemption at the option of the County on or after March 1, 2016, at any time as a whole or in part in such order of maturities as the County may determine, at par, together with the interest accrued thereon to the date fixed for redemption.

HORRY COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

8. Long Term Debt (continued)

The 2005B Bonds are not subject to redemption prior to their stated maturities.

On May 6, 2008, the County issued \$62,000,000 of General Obligation Bonds with interest rates ranging from 4.000% to 5.000%. The net proceeds of the 2008 Bonds can be utilized to (i) pay costs of acquiring, constructing, equipping, renovating and expanding the County's detention center including newly constructed additions; (ii) pay costs of acquiring, constructing, equipping, renovating and expanding libraries and/or County recreation centers in such order and priority as County Council shall determine; (iii) pay legal fees and other costs of issuance of the Bonds; and (iv) other such lawful purposes as the Council shall determine. The 2008 Bonds are payable through May 2028, and the full faith, credit and taxing power of the County are irrevocably pledged for the payment thereof.

A. Governmental Activities Debt

Change in the County's long-term debt for its Governmental Activities as follows:

	<i>(amounts shown in thousands)</i>			
	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
General and Special Obligation Bonds:				
G.O. Bonds of 2000 dated June 29 for \$38.3 million with interest at 5% to 7% - Judicial Center	\$ 1,530	\$ -	\$ (1,375)	\$ 155
G.O. Bonds of 2000 dated January 1 for \$9.5 million with interest at 5% to 6.75% - Fire Protection	1,275	-	(625)	650

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

8. Long-Term Debt (continued)

A. Governmental Activities Debt (continued)

	<i>(amounts shown in thousands)</i>			Balance June 30, 2008
	Balance June 30, 2007	Additions	Deletions	
General and Special Obligation Bonds				
(continued):				
Special Hospitality Fee Bonds of 2000 dated October 15 for \$19.905 million with interest at 4% to 5%	12,725	-	(1,320)	11,405
G.O. Bonds of 2001 (Series A) dated September 15 for \$20.2 million with interest at 3.5% to 4.75% - Strand/Library/Equipment	16,335	-	(865)	15,470
G.O. Bonds of 2001 (Series B) dated September 15 for \$2.875 million with interest at 4.25% to 4.5% - Higher Education	2,265	-	(120)	2,145
G.O. Bonds of 2004 (Series A) dated June 1 for \$11 million with interest at 3.0% to 5.0% - Fire Protection District	10,000	-	(495)	9,505
G.O. Bonds of 2004 (Series B) dated June 1 for \$3 million with interest at 3.25% to 5.50% - TECH Bond	2,785	-	(115)	2,670
G.O. Bonds of 2005 (Series A) dated September 1 for \$5.01 million with interest at 3% to 3.8% - Fire Protection Refunding	4,930	-	(55)	4,875
G.O Bonds of 2005 (Series B) dated September 1 for \$30 million with interest at 3.5% to 4.125% - Judicial Center Refunding	30,000	-	-	30,000
G.O. Bonds of 2007 dated April 11 for \$11 million with interest at 4% to 4.5% -Health Department/Museum	11,000	-	(550)	10,450
G.O. Bonds of 2008 dated May 20 for \$12 million with interest at 4% to 5% -Libraries	-	12,000	-	12,000
G.O. Bonds of 2008 dated May 20 for \$50 million with interest at 4% to 5% -Detention Center	-	50,000	-	50,000
Total general and special obligation bonds	92,845	62,000	(5,520)	149,325
Less, current portion	(5,520)	(9,470)	5,520	(9,470)
Net general and special obligation bond debt	<u>\$ 87,325</u>	<u>\$ 52,530</u>	<u>\$ -</u>	<u>\$ 139,855</u>

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

8. Long-Term Debt (continued)

A. Governmental Activities Debt

Other general long-term obligations of the County's governmental activities at June 30, 2008 are as follows:

	<i>(amounts shown in thousands)</i>			Balance June 30, 2008
	Balance June 30, 2007	Additions	Deletions	
Other general long-term obligations:				
RIDE - IGA Loan #1	\$ 150,000	\$ -	\$ (15,000)	\$ 135,000
Less, amounts imputed for interest	(22,374)	-	4,015	(18,359)
Less, current portion	(10,985)	(11,347)	10,985	(11,347)
Net RIDE - IGA Loan #1	<u>116,641</u>	<u>(11,347)</u>	<u>-</u>	<u>105,294</u>
RIDE - IGA Loan #2	221,455	-	(4,956)	216,499
Less, current portion	(4,956)	(6,033)	4,956	(6,033)
Net RIDE - IGA Loan #2	<u>216,499</u>	<u>(6,033)</u>	<u>-</u>	<u>210,466</u>
RIDE - IGA #3 contribution payable	1,051	-	(88)	963
Less, current portion	(31)	(28)	31	(28)
Net RIDE - IGA #3 contribution Payable	<u>1,020</u>	<u>(28)</u>	<u>(57)</u>	<u>935</u>
Net RIDE - IGA Loans payable	<u>334,160</u>	<u>(17,408)</u>	<u>(57)</u>	<u>316,695</u>
Capital lease obligation - central energy	584	-	(154)	430
Capital lease obligation - phone systems	232	-	(86)	146
Capital lease obligation - IBM AS400 system	485	-	(185)	300
Capital lease obligation - archive writer	20	-	(20)	-
Capital lease obligation - fiber optic network	3,369	-	(640)	2,729
Capital lease obligation - fire suppression system	21	-	(11)	10
Capital lease obligation - core network	64	-	(21)	43
Capital lease obligation - 911 equipment	3,390	-	(906)	2,484
Capital lease obligation - Motorola CAD	3,772	-	(706)	3,066
Capital lease obligation - Dell	94	1,130	(629)	595
Capital lease obligation - fiber ring	-	3,311	-	3,311
Less, current portion	(2,785)	(3,659)	2,785	(3,659)
Net capital leases	<u>9,246</u>	<u>782</u>	<u>(573)</u>	<u>9,455</u>
Post employment benefit obligation, net	-	4,986	-	4,986
Accumulated compensation absences, net	10,790	8,354	(7,300)	11,844
Total other general long-term obligations	<u>354,196</u>	<u>(3,286)</u>	<u>(7,930)</u>	<u>342,980</u>
Total Net Governmental Activities Debt	<u>\$ 441,521</u>	<u>\$ 49,244</u>	<u>\$ (7,930)</u>	<u>\$ 482,835</u>

The current portion (amount due within one year) of accrual compensated absences at June 30, 2008 is \$6,967 (not expressed in thousands). This liability has typically been liquidated from the general fund, other governmental funds and the Internal Service fund.

RIDE Intergovernmental Agreements

As described in Note 17, the RIDE Intergovernmental Agreement (IGA) Loan #1 provides for debt service payments to be made without interest over twenty (20) years. Accordingly, an estimated amount of interest has been imputed based on calculated rate of 3.25% which is a rate representative of the IGA Loan #2 Amended Agreement.

Pursuant to Intergovernmental Agreement #3, Horry County agreed to contribute \$2,279,950 (derived from a certain admissions tax) to the South Carolina Transportation Infrastructure Bank (SIB) as such tax revenues are collected. Accordingly, this has been reported as a long-term contribution commitment.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (continued)

B. Business-type Activities (Enterprise Funds) Debt

Revenue Bonds - Department of Airports

In October 2000, the County issued \$9,745,000 in Airport Revenue Refunding Bonds with original issue discount of \$25,784 and bond issuance costs of \$321,892. These bonds were issued to refund the \$10,320,000 outstanding principal amount of the \$11,660,000 original principal amount of the Airport Revenue Bonds, Series 1990.

In May 1997, the County issued \$26,255,000 (Series 1997A, B, C, and D) in Airport Revenue Bonds with original issue discounts of \$169,000 and bond issuance costs of \$867,000. These bonds were issued as an amendment to the Horry County Series 1990 Revenue Bond ordinance and are being used to pay the costs of certain interests in land and the construction of terminal building improvements, rental car facilities and curbside improvements at the Myrtle Beach International Airport.

The revenue bonds are secured by the pledge of net revenues derived by the Myrtle Beach International Airport ("MYR"). Net revenues are defined as revenues less maintenance and operations expenses of MYR. The Bonds are limited obligations of the County and do not constitute the general obligation or a pledge of the faith, credit or taxing power of the County or any other political subdivision. The County has agreed to establish rates and charges for use of MYR services and facilities that are reasonably expected to yield net revenues equal to at least 1.25 times the aggregate debt service to become due on the revenue bonds in the forthcoming fiscal year. The revenue bond resolutions also require that certain funds be established and certain financial conditions be maintained.

Refunded Debt - Department of Airports

In October 2000, Series 2000 Airport Revenue Refunding Bonds were issued to advance redeem all of the Series 1990 Bonds. The redemption price for these bonds is equal to the principal amount plus a premium ranging up to 2% of the principal amount.

Net proceeds from the Series 2000 Bonds were placed in an irrevocable trust account and accordingly, resulted in a defeasance of the Series 1990 debt.

Although the advance refunding resulted in the recognition of an accounting loss of \$582,191 for the year ended June 30, 2001, the Airport in effect realized an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,166,502.

In accordance with GASB Statement 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the above referenced accounting loss of \$582,191, has been deferred and netted against the carrying amount of the Series 2000 liability and is being amortized to interest expense over the shorter life of the two issuances. Accordingly, for the year ended June 30, 2008, amortization expense was \$29,603.

Cash Redemption - Department of Airports

On January 9, 2008, the County redeemed \$3,785,000 of Series 1997A bonds, \$6,935,000 of Series 1997B bonds and \$550,000 of Series 1997C for a total redemption of \$11,270,000 in principle amount of bonds. The redemption price for these bonds was equal to the principle amount plus a call premium of 2%. The sources of funds for the redemption were \$587,698 of airport cash, \$5,302,647 of PFC's, and \$3,348,440 of CFC's and \$2,273,263 of the reserve accounts held by the bond trustee, Bank of New York, for the redeemed bonds. The County has taken \$569,948 to interest expense for the bond issuance costs and the net original issue discount associated with the redeemed bonds and the call premium.

HORRY COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (continued)

B. Business-type Activities (Enterprise Funds) Debt (continued)

Long-term 'revenue bonded' debt of the Department of Airports Enterprise Fund at June 30, 2008, is as follows:

	<i>(amounts shown in thousands)</i>			
Revenue Bonds:	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Revenue bond, Series A, of 1997 dated May 15, for \$6.3 million with interest at 4.45% to 5.7% - Airport improvements, due 1998-2027	\$ 5,410	\$ -	\$ (3,930)	\$ 1,480
Revenue bond, Series B, of 1997 dated May 15, for \$15.2 million with interest at 6.06% to 7.38% - Construction of rental car facilities, due 1998-2012	8,055	-	(8,055)	-
Revenue bond, Series C, of 1997 dated May 15, for \$3.4 million with interest at 4.3% to 5.5% - Airport improvements, due 1998-2027	2,960	-	(630)	2,330
Revenue bond, Series D, of 1997 dated May 15, for \$1.1 million with interest at 4.4% to 5.0% - Airport improvements, due 1998-2007	155	-	(155)	-
Revenue bond, Refunding Series 2000 dated October 15, 2000, for \$9.745 million with interest at 4.4% to 5.62%, due 2002- 2020	7,720	-	(390)	7,330
Total revenue bonded debt	24,300	-	(13,160)	11,140
Less, original issue discount	(175)	-	82	(93)
Less, current portion	(1,890)	(520)	1,890	(520)
Less, deferred charges (Series 1990 refunding loss of \$582 less amortization of \$197)	(385)	-	30	(355)
Net Revenue Bonds	\$ 21,850	\$ (520)	\$ (11,158)	\$ 10,172

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (continued)

B. Business-type Activities (Enterprise Funds) Debt (continued)

Certificates of Participation - Baseball Stadium Joint Enterprise

The County entered into various agreements with the City of Myrtle Beach and proportionately shares in the ongoing financial interest and responsibility for a professional minor-league baseball stadium. Those agreements call for the County to be liable for 30% of the Certificates of Participation which were issued by a component unit of the City of Myrtle Beach to defray the construction costs. Long-term debt of the Baseball Stadium Enterprise Fund at June 30, 2008 is as follows:

	<i>(amounts shown in thousands)</i>			
	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2008</u>
Certificates of Participation dated September 1, 1998				
for \$3.088 million with interest at 3% to 5% - Baseball Stadium	\$ 2,162	\$ -	\$ (138)	\$ 2,024
Less, current portion	(138)	(144)	138	(144)
Total non-current portion	<u>\$ 2,024</u>	<u>\$ (144)</u>	<u>\$ -</u>	<u>\$ 1,880</u>

C. Annual Requirements for Long-Term (Bonds and Loans) Debt

Annual principal requirements to amortize general and special obligation bonds, revenue bonds, certificates of participation (COPS), and RIDE Intergovernmental Agreements (IGA) loans #1 and #2 at their respective present values at June 30, 2008, are summarized as follows:

<u>Years Ending June 30,</u>	<i>(amounts shown in thousands)</i>							
	<u>G.O. Bonds</u>		<u>Special Obligation Bonds</u>		<u>Baseball Stadium COPS</u>		<u>Airport Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 8,080	\$ 5,356	\$ 1,390	\$ 641	\$ 144	\$ 98	\$ 520	\$ 588
2010	7,950	5,609	1,455	571	151	91	545	564
2011	8,180	5,271	1,530	498	158	85	575	537
2012	8,470	4,921	1,605	422	165	77	605	507
2013	8,775	4,554	1,705	325	173	69	635	474
2014-2018	46,345	16,830	3,720	338	1,002	213	3,700	1,803
2019-2023	45,490	6,384	-	-	231	12	3,195	718
2024-2028	4,630	571	-	-	-	-	1,365	199
Total	<u>\$ 137,920</u>	<u>\$ 49,496</u>	<u>\$ 11,405</u>	<u>\$ 2,795</u>	<u>\$ 2,024</u>	<u>\$ 645</u>	<u>\$ 11,140</u>	<u>\$ 5,390</u>

<u>Years Ending June 30,</u>	<u>Total Debt Service Requirements</u>					
	<u>RIDE IGA Loan #1</u>		<u>RIDE IGA Loan #2</u>		<u>Total Debt Service Requirements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 11,347	\$ 3,653	\$ 6,034	\$ 6,227	\$ 27,515	\$ 16,563
2010	11,720	3,280	7,175	6,040	28,996	16,155
2011	12,105	2,895	8,527	5,817	31,075	15,103
2012	12,504	2,496	9,964	5,553	33,313	13,976
2013	12,915	2,085	11,491	5,246	35,694	12,753
2014-2018	56,050	3,949	84,644	19,922	195,461	43,055
2019-2023	-	-	88,664	5,563	137,580	12,677
2024-2028	-	-	-	-	5,995	770
Total	<u>\$ 116,641</u>	<u>\$ 18,358</u>	<u>\$ 216,499</u>	<u>\$ 54,368</u>	<u>\$ 495,629</u>	<u>\$ 131,052</u>

D. SBHBS

On June 18, 2003, the Commission issued \$960,000 in Hospital Revenue Bonds, Series 2003 with an interest rate of 4.46%.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 6/30/08</u>
Hospital Revenue Bond	4.46%	6/18/2013	\$ 533,201

Scheduled maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
Year Ending June 30, 2009	\$ 97,363	\$ 21,806	\$ 119,169
Year Ending June 30, 2010	101,795	17,374	119,169
Year Ending June 30, 2011	106,429	12,740	119,169
Year Ending June 30, 2012	111,274	7,895	119,169
Year Ending June 30, 2013	116,340	2,830	119,170
	<u>\$ 533,201</u>	<u>\$ 62,645</u>	<u>\$ 595,846</u>

The bond is secured by all revenue and receipts derived by the SBHBS.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital and Operating Leases

A. Capital Lease Obligations

A capital lease is an agreement which specifies a transfer of benefits and risk of ownership to the lessee.

Governmental Activities:

The County's capital leases have been recorded at the present value of the future minimum lease payments as follows:

<u>Year Ended June 30,</u>	<i>(amounts shown in thousands)</i>					
	<u>Central Energy</u>	<u>Phone System</u>	<u>IBM AS400 System</u>	<u>Fiber Ring</u>	<u>Fiber Optic Network</u>	<u>Fire Suppression System</u>
2009	\$ 188	\$ 45	\$ 203	\$ 595	\$ 804	\$ 10
2010	188	44	120	595	804	-
2011	94	37	-	595	789	-
2012	-	37	-	595	663	-
2013	-	-	-	595	-	-
Thereafter	-	-	-	928	-	-
Total lease payments	470	163	323	3,903	3,060	10
Less, interest	(40)	(17)	(23)	(592)	(331)	-
Present value of future minimum lease payments	430	146	300	3,311	2,729	10
Less, current portion	(164)	(38)	(194)	(489)	(671)	(10)
Total non-current portion	\$ 266	\$ 108	\$ 106	\$ 2,822	\$ 2,058	\$ -

<u>Year Ended June 30,</u>	<u>Core Network</u>	<u>911 Equipment</u>	<u>Motorola CAD</u>	<u>Dell</u>	<u>Total</u>
	2009	\$ 23	\$ 1,034	\$ 832	\$ 447
2010	23	896	832	208	3,710
2011	-	728	832	-	3,075
2012	-	-	833	-	2,128
2013	-	-	-	-	595
Thereafter	-	-	-	-	928
Total lease payments	46	2,658	3,329	655	14,617
Less, interest	(3)	(174)	(263)	(60)	(1,503)
Present value of future minimum lease payments	43	2,484	3,066	595	13,114
Less, current portion	(21)	(940)	(729)	(403)	(3,659)
Total non-current portion	\$ 22	\$ 1,544	\$ 2,337	\$ 192	\$ 9,455

Business-type Activities (Enterprise Funds):

During the year ended June 30, 2006, the Airport entered into a ten year non-cancelable lease for a generator for the Airport. The annual interest rate on the lease is 2.87% per annum. The cost and net book value on the generator as of June 30, 2008 is \$425,000 and \$329,375, respectively.

The present value of the minimum lease payments follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2009	50,314
2010	50,314
2011	50,314
2012	50,314
2013	50,314
2014-2016	142,557
Total payments	394,127
Less, interest	(49,207)
Present value of future minimum lease payments	344,920
Less, current portion	(39,025)
Total non-current portion	\$ 305,895

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital and Operating Leases (continued)

The changes in the County's capital leases and compensated absences for its business-type activities for the year ended June 30, 2008 are as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital Leases	\$ 382,623	\$ -	\$ (37,703)	\$ 344,920
Compensated absences	\$ 867,356	\$ 226,639	\$ -	\$ 1,093,995

Long - term liabilities - HCSWA at June 30, 2008

Long - term liabilities of HCSWA are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts due within one year
Compensated Absences	\$ 236,757	\$ 203,390	\$ 176,472	\$ 263,675	\$ 155,000
Net OPEB Obligation	-	216,936	5,212	211,724	-
Landfill Closure Costs	10,614,901	1,843,156	3,580,281	8,877,776	-
Landfill Postclosure Care Costs	5,879,254	791,291	-	6,670,545	-
	<u>\$ 16,730,912</u>	<u>\$ 3,054,773</u>	<u>\$ 3,761,965</u>	<u>\$ 16,023,720</u>	<u>\$ 155,000</u>

B. Operating Lease Agreements - Lessor (Department of Airports)

The Department of Airports Enterprise Fund derives a substantial portion of its revenue from charges to air carriers, aeronautical schools, concessionaires, and real estate leases. Substantially all of the assets classified as capital assets in the balance sheet are held by the Airport for the purpose of rental or related use. The Airport, as lessor, leases land, buildings, and terminal space to air carriers, aeronautical schools, concessionaires, and third-parties on a fixed fee as well as a contingent fee basis. Most of the leases provide for an annual review and redetermination of the rental amounts. Accordingly, lease revenues are recognized when earned. Different amounts resulting from stated period contract rates and from a straight-line amortization of total rents over the contract period is deemed not to be material. The following is a schedule of future minimum rentals receivable on non-cancelable rental revenue leases at June 30, 2008:

<u>Year Ended June 30,</u>	<u>(amounts shown in thousands)</u>
2009	5,996
2010	5,966
2011	6,036
2012	4,240
2013	970
2014 to 2018	1,038
2019 to 2021	391
Total	<u>\$ 24,637</u>

The total historical cost and net book value of certain property leased to parties external to Horry County, South Carolina reporting entity is \$42,470,183 and \$23,314,024, respectively at June 30, 2008.

Note 10. Amounts Due to Airlines (Signatory Airlines Agreements)

The Department of Airports, primarily the Myrtle Beach International Airport (the "MBIA"), maintain lease and operating agreements with certain airlines ("Signatory Airlines") which provide for annual terminal lease, landing fees, and other amounts to be remitted by the Signatory Airlines at interim rates subject to retroactive adjustment on a defined cost reimbursement basis ("Settlement"). Terms of the agreements call for amounts owed to the Signatory Airlines be applied to any balances owed by the airlines for current year rates and charges. Airport management has estimated a rebate amount due to the airlines for the year ended June 30, 2008, totaling \$298,479, with a net amount due to the airlines at June 30, 2008, for current and prior year amounts totaling \$332,449. This is included in amounts due to tenants on the accompanying Statement of Net Assets. US Airways, Spirit Airlines, and ASA and Comair (including Delta) were signatory airlines as of June 30, 2008. DirectAir was a signatory indirect air carrier as of June 30, 2008.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 11. Landfill Closure and Postclosure Care Costs

Federal and state laws and regulations require the HCSWA to place a final cover on its permitted landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the HCSWA reports a portion of these costs as operating expenses in each period based on landfill capacity used during each fiscal year. The amounts reported as a liability at June 30, 2008 for landfill closure and postclosure care represents the cumulative expense reported to date based on 100%, 82.0%, and 32.0% utilization of the estimated total capacity of the unlined, and Subtitle D (Cell A) landfill sites and construction and demolition respectively.

(amounts shown in thousands)

	Unlined	Subtitle D (Cell A)	Construction & Demolition	Total
Closure Costs	\$ 1,230	\$ 4,407	\$ 3,241	\$ 8,878
Postclosure Care Costs	N/A	4,625	2,046	6,671
Total	\$ 1,230	\$ 9,032	\$ 5,287	\$ 15,549

The HCSWA will recognize the remaining estimated closure and postclosure care costs, as shown below, as the remaining estimated capacity of the permitted landfills are filled.

	Closure Costs	Postclosure Care Costs
Construction and Demolition - East Hill	\$ 7,533	\$ N/A
Unlined / Construction and Demolition	N/A	1,347
Subtitle D	1,923	1,015
	<u>\$ 9,456</u>	<u>\$ 2,362</u>

The HCSWA has closed out the east and west hills of the unlined landfill, with the saddle area to be closed out during the year ending June 30, 2010. The Subtitle D landfill is expected to be closed during the year ending June 30, 2019. The construction and demolition landfill is anticipated to be closed during the year end June 30, 2025. The estimated closure and postclosure care costs are based on what it would cost today to perform all required closure and postclosure care. Actual costs ultimately incurred for closure and postclosure care may be higher due to inflation, changes in technology, or changes in regulations.

The HCSWA is required by federal and state laws to provide financial assurance that funds will be available when needed for closure and postclosure care costs through compliance with one of several approved alternative methods. The method utilized by the SWA is the local government financial test. At June 30, 2008, the HCSWA is in compliance with federal and state financial assurance requirements.

In accordance with formal resolutions of the HCSWA's Board of Directors, \$6,143,384 and \$8,091,012 of cash, cash equivalents and investments at June 30, 2008 are designated for landfill closure and postclosure care costs, respectively. These amounts are included in unrestricted net assets on the balance sheet. If the designated funds are inadequate or additional closure and postclosure care requirements are mandated or otherwise found to be necessary (due to changes in technology or applicable laws or regulations, for example) these costs need to be covered through additional charges to future landfill users.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets and Fund Balances

Net assets:

Net assets of the government-wide and proprietary fund financial statements represent the difference between assets and liabilities. Reported amounts for invested in capital assets and restricted net assets are as follows at June 30, 2008:

	<i>(amount shown in thousands)</i>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>	
			<u>SHBS</u>	<u>HCSWA</u>
<u>Invested in Capital Assets, Net of Related Debt:</u>				
Net capital assets:				
Primary Government	\$ 542,489	\$ 96,045	\$ -	\$ -
Internal Service Fund	-	-	-	-
Component units	-	-	1,188	32,561
Less, G.O., special revenue bonds payable and capital leases	(169,060)	(12,706)	(517)	-
Less, construction and retainage payable for capital items	(376)	(359)	-	-
Total invested in capital assets, net of related debt	<u>\$ 377,812</u>	<u>\$ 82,980</u>	<u>\$ 671</u>	<u>\$ 32,561</u>
<u>Restricted:</u>				
Restricted cash and cash equivalents plus restricted funds held in trust, less, liabilities payable from restricted assets:				
Capital projects	\$ 66,906	\$ 2,304	\$ -	\$ -
Road maintenance	390	-	-	-
Register of Deeds	5	-	-	-
Fire special revenue	893	-	-	-
Infrastructure development	59,333	-	-	-
Debt service	19,528	24,375	-	-
RIDE program	38,584	-	-	-
Freight claims	51	-	-	-
Substance abuse prevention	-	-	411	-
DSS federal revenue	71	-	-	-
Cultural	70	-	-	-
Baseball	235	-	-	-
Underground storage tanks	50	-	-	-
Environmental services	462	-	-	-
Total restricted net assets	<u>\$ 186,578</u>	<u>\$ 26,679</u>	<u>\$ 411</u>	<u>\$ -</u>

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets and Fund Balances (continued)

Fund Balance:

Fund balance in the General Fund as of June 30, 2008 consists of the following:

Reserved		\$ 1,249,736
Unreserved:		
Designated	<u>3,253,778</u>	
Total Unreserved- designated for subsequent years' expenditures		3,253,778
Undesignated		<u>24,579,499</u>
Total fund balance		<u>\$ 29,083,013</u>

As required by the County's Financial Policies Ordinance, the undesignated fund balance of the General Fund should be maintained at a level of at least 15% of the General Fund operating budget. The adopted General Fund operating budget for fiscal year 2009 includes total expenditures and other uses of \$137,697,863. Reducing this total for the amount being funded by the designated fund balance of \$950,000, the currently required undesignated fund balance level is \$20,512,179. The undesignated fund balance as of June 30, 2008 is \$4,067,320 above this required level.

At June 30, 2008, the following funds had deficit fund balances: Victim Witness (\$123,212), E-911 (\$89,425), and Arcadian Shores (\$275,514). The Victim Witness Assistance, Arcadian Shores, and E-911 deficit fund balances will be repaid from future tax revenues and fee increases.

Note 13. Capital Contributions

Pursuant to the implementation of GASB Statement No. 33, contributed capital for the year ended June 30, 2008 has been recognized in the government-wide financial statements and proprietary funds as non-operating revenue. For the governmental activities, capital contributions during the fiscal year ended June 30, 2008, is as follows:

	<i>(amount shown in thousands)</i>
	Governmental
	Activities
Donated land and equipment	<u>\$ 1,145</u>
Total	<u>\$ 1,145</u>

For the proprietary (enterprise) funds, capital contributions during the fiscal year ended June 30, 2008, are as follows:

	<i>(amount shown in thousands)</i>
	Business -Type
	Activities
Grants and other cash contributions	<u>\$ 3,433</u>
Total	<u>\$ 3,433</u>

Capital contributions in the discretely presented component unit HCSWA for the fiscal year ended June 30, 2008, are as follows:

	<i>(amounts shown in thousands)</i>
	HCSWA
Grants and other cash contributions	<u>\$ 596</u>
Totals	<u>\$ 596</u>

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 14. Employee Benefit Plans

A. South Carolina Retirement and Police Officers' Retirement Systems

(with amounts expressed thousands)

All County employees, except for police department personnel, participate in the South Carolina Retirement System (SCRS), a cost-sharing, multiple-employer, public employee retirement system. County police officers participate in the South Carolina Police Officers' Retirement System (SCPORS), a cost-sharing, multiple-employer public employee retirement system. The County's total payroll for the year ended June 30, 2008, was approximately \$68,839, of which \$38,990 and \$30,484 were for employees covered by the SCRS and the SCPORS, respectively. The total payroll for the year ended June 30, 2007, was approximately \$67,704, of which \$37,616 and \$29,303 were for employees covered by the SCRS and SCPORS, respectively. The total payroll for the year ended June 30, 2006 was approximately \$62,395, of which \$34,778 and \$26,883 were for employees covered by the SCRS and the SCPORS, respectively.

Both employees and the County are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The County's contributions are actuarially determined, but are communicated to and paid by the County as a percentage of the employees' annual earnings.

The County's required contributions to the SCRS for employer and employee portions for the year ended June 30, 2008 expressed as a dollar amount and as a percentage of covered payroll in 2008 were \$3,693 and 9.06% and \$2,592 and 6.5%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$3,226 and 10.3% and \$2,036 and 6.5%, respectively. The County's required contributions to the SCRS for employer and employee portions for the years ended June 30, 2007, expressed as a dollar amount and as a percentage of covered payroll in 2007 were \$3,047 and 8.1% and \$2,445 and 6.5%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$3,018 and 10.3% and \$1,905 and 6.5%, respectively. The County's required contributions to the SCRS for employee portions for the years ended June 30, 2006 expressed as a dollar amount and as a percentage of covered payroll in 2006 were \$2,852 and 8.2% and \$2,261 and 6.5% respectively, and the contributions to the SCPORS for the employer and employee portions were \$2,867 and 10.7% and \$1,747 and 6.5%, respectively.

In addition to the above rates, the County's required contributions to the SCRS to provide a group life insurance benefit for their participants for the year ended June 30, 2008 expressed as a dollar amount and as a percentage of covered payroll were approximately \$44 and 0.15% of annual earnings, and the contributions to the SCPORS to provide a group life insurance benefit and an accidental death benefit for their participants expressed as a dollar amount and as a percentage of covered payroll were approximately \$45 and 0.20%.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 14. Employee Benefit Plans (continued)

A. South Carolina Retirement and Police Officers' Retirement (continued)

Employees of SBHS are also members of SCRS. Employer and employee contributions expressed as a percentage of covered payroll are 9.06% and 6.50%, respectively. Total payroll for the year ended June 30, 2008 was \$1,255 of which \$1,091 was for employees covered by SCRS. SBHC's contributions for the three most recent fiscal years ended June 30, 2008, 2007 and 2006 were \$103, \$86 and \$83, respectively. The contribution requirements of plan members and the HCSWA are established and may be amended by the SCRS and are currently 6.50% and 9.21%. The HCSWA's contributions for the fiscal year ended June 30, 2008, 2007 and 2006 were \$330, \$275 and \$242, respectively.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing the South Carolina Retirement System, P. O. Box 11960, Columbia, South Carolina 29211-1960.

B. Post-Employment Benefits (*with amounts expressed in thousands*)

In addition to providing pension benefits, the County provides certain post-employment health care benefits for retired employees as per the requirements of a local ordinance. All of the County's employees may become eligible for those benefits if they attain age forty-six (46) while working for the County, retire and draw benefits from SCRS or SCPORS system, and have a minimum of fifteen (15) years service. The County will contribute to SCRS (regular retirees): 50% of single coverage for employees with 15-22 years of service, 75% of single coverage for employees with 23-27 year of service, and 100% for employees with 28 or more years of service; for SCPORS (police retirees): 50% of single coverage for employees with 15-21 years, 75% for 22-24 years and 100% for employees with 25 years or more of service. The cost of these benefits is recognized as an expenditure of the general fund on a pay-as-you-go basis as provided for in the annual budget ordinance. These benefits will cease if funds are not available for appropriation. For fiscal year 2008, these costs totaled \$758 net of \$370 of retiree contributions. As of year-end, there were 154 employees that were receiving benefits.

Other post employment healthcare benefits –

Plan Description

Employees of Horry County Government are eligible to receive full retiree health care benefits. Members are eligible at the age of 60 or with 28 years of service for SCRS retirement and age 55 or with 25 years of service for PORS retirement. The vesting schedule for retirees is as follows:

Percentage of Insurance premiums Paid by Employer for Regular Retirees (SCRS)

Years of Service	Age of Retirement							
	55	56	57	58	59	60	61	62
15	50%	50%	50%	50%	50%	50%	50%	50%
23	75%	75%	75%	75%	75%	75%	75%	75%
28+	100%	100%	100%	100%	100%	100%	100%	100%

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 14. Employee Benefit Plans (continued)

Percentage of Insurance premiums Paid by Employer for Police Retirees (PORS)

Years of Service	Age of Retirement							
	55	56	57	58	59	60	61	62
15	50%	50%	50%	50%	50%	50%	50%	50%
22	75%	75%	75%	75%	75%	75%	75%	75%
25+	100%	100%	100%	100%	100%	100%	100%	100%

Employees who terminate employment are not eligible for retiree health care benefits. Survivors of employees who die while actively employed are not eligible for retiree health benefits. However, they are eligible for survivors insurance for one year at no cost to the surviving spouse, after that, the member has the option of selecting other insurance or continuing coverage at surviving spouse’s expense. Employees who retire under disability retirement are eligible for retiree health care benefits based on the years of service provide in the chart above, or at the member’s expense depending on years of service. Spouses of retired employees are eligible to receive retiree health care benefits at member’s cost. Retirees are required to enroll in Medicare once eligible. Retiree pays full Medicare premiums. Horry County Government coverage continues when retiree becomes eligible for Medicare. Once, actively retired county insurance becomes secondary. Employees and spouses retiring with retiree health care benefits are eligible for Horry County Government paid dental benefits. Retirees who decide to opt-out of health care plan will be eligible to opt back in when coverage from another entity ceases. There is no additional stipend provided for those who opt-out. The Airport currently has 116 active employees and no retired members.

HCSWA:

The HCSWA retiree health care plan is a single-employer defined benefit health care plan administered by the HCSWA. The plan provides medical and dental insurance benefits to eligible retirees. Benefit provisions are established and may be amended by the HCSWA’s Board of Directors. Employees retiring with at least twenty years of service as an employee of the HCSWA and receiving benefits from the South Carolina Retirement System may elect to continue single coverage at a cost established by the State Budget and Control Board. Employees retiring with at least ten years of service as an employee of the HCSWA and receiving benefits from the South Carolina Retirement System may elect to continue single coverage with fifty percent of the cost of coverage provided by the HCSWA and the remaining fifty percent provided by the retiree. Employees retiring at age sixty five or older with at least five years of service as an employee of the HCSWA and receiving benefits from the South Carolina Retirement System may elect to continue single coverage with one hundred percent of the cost of coverage provided by the retiree. If an eligible retiree accepts employment with another organization that provides health care benefits, the HCSWA coverage will no longer be provided.

Funding Policy

Horry County currently pays for post-employment benefits on a pay-as-you-go basis. For fiscal year 2008, the County contributed \$369,801 for current premiums of existing retirees. Horry County is currently studying various funding alternatives and/or modifications to the existing plan. These financial statements assume that a paygo funding policy will continue.

HCSWA:

HCSWA currently pays for post-employment benefits on a pay-as-you-go basis. For fiscal year 2008, the County contributed \$5,212 for current premiums of existing retirees.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 14. Employee Benefit Plans (continued)

Annual OPEB costs and Net OPEB Obligation

The County first had an actuarial valuation performed for the plan as of June 30, 2007 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2008. The County's annual OPEB cost of \$5,510,608 is equal to the ARC for the initial reporting year since the transition liability was set at zero as of June 30, 2007. The County's annual OPEB costs and the net OPEB obligation for June 30, 2008 was as follows (information for prior years is not available as the actuarial valuation was performed for the first time as of June 30, 2007):

	Governmental		Business-type	Total	Component Unit
	General	Police	Airport		HCSWA
Employer Normal Costs	\$1,689,640	\$1,591,889	\$105,909	\$3,387,438	\$216,936
Amortization of UAL*	<u>1,301,470</u>	<u>772,246</u>	<u>49,454</u>	<u>2,123,170</u>	<u>N/A</u>
Annual Required Contribution (ARC)	\$2,991,110	\$2,364,135	\$155,363	\$5,510,608	\$216,936
Interest on Net Obligation	-	-	-	-	-
Annual OPEB Costs	\$2,991,110	\$2,364,135	\$155,363	\$5,510,608	\$216,936
Contributions made	266,149	103,652	-	369,801	5,212
Net OPEB Obligation – end of year	\$2,724,961	\$2,260,483	\$155,363	\$5,140,807	\$211,724

* Unfunded Actuarial Accrued Liabilities (UAL) were amortized over 30 years.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$5,510,608	6.71%	\$5,140,807

The HCSWA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$216,936	2.40%	\$211,724

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 14. Employee Benefit Plans (continued)

Funded Status and Funding Progress

The funded status of the plans as of June 30, 2008, was as follows:

	Governmental		Business-type	Component Unit
	General	Police	Airport	HCSWA
Actuarial accrued liability	\$30,307,044	\$17,983,147	\$1,151,637	\$1,651,842
Actuarial value of plan assets	-	-	-	-
Unfunded actuarial accrued liability	\$30,307,044	\$17,983,147	\$1,151,637	\$1,651,842
Funded Ratio	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$389,899,986	\$30,483,561	\$4,349,632	\$3,270,011
Unfunded actuarial accrued liability as a percentage of covered payroll	7.77%	58.99%	26.48%	50.50%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and 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.

In the June 30, 2007, actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll (assumed to increase 3%) required to fully amortize the UAAL over a 30 year period. The actuarial assumptions included 4.5% rate of investment return. The valuation assumes a 9.0% health care trend inflation rate for 2008 and decreases 5% each year until 2017, for 2018 and thereafter 4.5% was assumed. General inflation is assumed to be 3.0% per year.

HCSWA:

In the June 30, 2007, actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll (assumed to increase 3%) required to fully amortize the UAAL over a 30 year period. The actuarial assumptions included 4.5% rate of investment return. The valuation assumes a 10.0% health care trend inflation rate for 2008 and decreases to an ultimate rate of 4.5% after eleven years. General inflation is assumed to be 3.0% per year.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 15. Segment Information

The County has elected to present disaggregated information regarding all enterprise funds in the proprietary fund, statement of net assets, statement of revenue, expenses and changes in net assets, and statement of cash flows.

The Department of Airports Enterprise Fund is responsible for operation, maintenance and development of the County's Airport System - including Conway, Grand Strand, and Loris general aviation airports and the Myrtle Beach International Airport (MBIA). The Baseball Stadium Enterprise Fund accounts for the county's interest and operations of a professional baseball stadium. The County's discretely presented component units HCSWA and SBHS were created by the County to develop and implement a solid waste disposal and resource recovery/recycling system and to provide services to reduce the negative health, social and economic consequences resulting from the use of alcohol and other drugs, for the County, respectively. Disaggregated information of the component units is presented in the basic financial statements.

Major Customers and Economic Condition - Department of Airports

Significant airline revenues, leases concessions and rental car activity, generate approximately 74% of the Airport's revenues or just over \$14.0 million of \$18.9 million net operating revenue. Signatory Airlines generate \$4.6 million in revenue after surcharges.

Rates and charges of Signatory Airlines, which serve the MYR, represented 24% and 24% in fiscal years 2008 and 2007, respectively, of the total operating revenues reported for the MYR. Of the leading Signatory Airline carriers, U.S. Airways represents 29% of the airline traffic, Spirit Airlines 40%, United Airlines 4%, and ASA (including Comair & Chautauqua) 15% and DirectAir 5%.

US Airways, Spirit Airlines, United Airlines, ASA and Comair are currently signatory airlines. DirectAir is a signatory indirect air carrier.

For the year ended June 30, 2008, three customers make up approximately 56% of the accounts receivable balance. For year ended June 30, 2007, three customers made up approximately 41% of the accounts receivable balance.

Aviation Trust Funds - Due From Other Governments

Pursuant to certain agreements with the Federal Aviation Administration (FAA), the City of Myrtle Beach, South Carolina maintains an Airport Trust Fund which holds resources received from leases of certain parcels of property near the Myrtle Beach International Airport. Funds are to be made available for Airport purposes through agreement with the FAA. In April 2004, the parties reached a new agreement through which the Airport received \$2,000,000 from the fund January 1, 2005. Beginning in 2005, and continuing each and every year thereafter, all lease proceeds received by the City shall be promptly, automatically and unconditionally divided between the bodies whereby Horry County shall receive 75% of the proceeds and the City of Myrtle Beach shall receive 25%. As part of the agreement, the Airport is required to spend \$6 million on Harrellson Blvd (a road that runs near the Airport). The Airport recognized \$1,727,659 and \$1,449,069, in non-operating revenues for funds received from this trust fund during the years ended June 30, 2008 and 2007, respectively.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 16. Joint Enterprise - Baseball Stadium

The County entered into various agreements with the City of Myrtle Beach and proportionately shares in the ongoing financial interest and responsibility for a professional minor-league baseball stadium. A summary of those agreements are as follows:

Pursuant to a Ballpark Management Agreement dated September 1, 1998 (the "Management Agreement"), the City of Myrtle Beach, South Carolina and the County collectively agreed to develop, own and operate a baseball stadium facility in Myrtle Beach, South Carolina (the "Project"). The Management Agreement provides that the Project shall be jointly owned with the City having an undivided 70% ownership interest in the Project and the County having a 30% undivided ownership interest, and further provides that the net profits and losses of the joint enterprise shall be divided in proportionate shares to the City's and County's respective ownership interests.

Pursuant to an Installment Purchase Agreement, dated September 1, 1998, between the City of Myrtle Beach, South Carolina and Myrtle Beach Public Facilities Corporation, a South Carolina nonprofit corporation, \$10,295,000 in Certificates of Participation, Series 1998, were issued to defray the cost of construction of the baseball stadium.

Pursuant to a Hospitality Fee Agreement, dated September 1, 1998, between the County and the City of Myrtle Beach, South Carolina, the County agreed to make payments of an amount equal to 30% of the required debt service requirements of the Certificates. The County's proportionate debt service payments shall be made solely from amounts derived by the County's special revenue fund portion of the County 1% Hospitality Fee and shall not be deemed to be general obligations of the County or payable from the road fund portion of the County's 1.5% Hospitality Fee, or from any other source of revenues, fees, or taxes. Accordingly, the County's proportionate interest in the debt service requirements (initial amount of \$3,088,500) has been recorded as a long-term liability in the Baseball Stadium Enterprise Fund.

As security for its obligation to make payments under the Hospitality Fee Agreement, the County has pledged and granted a security interest in the special revenue fund portion of the County Hospitality Fee to the extent of the lesser of \$300,000 or the amount due in any bond year pursuant to the Hospitality Fee Agreement. This amount has been recorded as a reservation of fund balance of the Hospitality 1.0% Fees Special Revenue Fund.

While the enterprise is under joint control by the City and County, no separate entity or organization of the baseball stadium exists as of June 30, 2008. Accordingly, the County has reported activities in the baseball stadium as an enterprise fund under the method of accounting for undivided interests. Separate financial statements of the baseball stadium are presently not available.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 17. Intergovernmental Agreements - RIDE Projects

During fiscal years 1998 and 2000, and pursuant to the Horry County Road Improvement and Development Effort program (the "RIDE Program"), the County adopted and enacted its Ordinances #105-96 and #7-97 and entered into various long-term loan agreements with the South Carolina Transportation Infrastructure Bank (the "SIB") to provide funding for various road construction projects in Horry County. Pursuant to a certain Master Loan Agreement (as amended), SIB agreed to make available financial assistance to Horry County in the amounts totaling up to \$744,415,526 for the RIDE Tables 1 and 3 projects specified in Intergovernmental Agreements (IGA) #1 and #2.

During fiscal year 2002, the County adopted and enacted Ordinance #45-02 to approve Intergovernmental Loan Agreement #3, which calls for Horry County to make certain contributions towards the projects from an existing special revenue fund admissions tax and to amend prior RIDE loan agreements.

These agreements are summarized as follows:

Intergovernmental Agreement #1- dated March 10, 1998 (as amended)

As amended, SIB agreed to make one or more loans available to Horry County totaling up to \$545 million for Table 1 projects of the RIDE application.

Table 1 Projects and Assignment - The allocation and use of the \$545 million in SIB funding between the RIDE Projects is set forth in Table 1 of the RIDE application, namely \$291.3 million for the Conway Bypass, \$209.5 million for the Carolina Bays parkway, and \$44.2 million for Highway 544 widening.

Horry County assigned South Carolina Department of Transportation (SCDOT) to be its sole and exclusive agent for the RIDE Program. In connection with the construction of the Conway Bypass, SCDOT shall be paid a management fee of \$3.0 million, in 36 monthly installments with the first payment due upon execution of the agreement. SCDOT agreed to provide the County and the SIB \$114 million toward the construction of Table 1 projects.

Horry County further agreed to be responsible for up to \$291.3 million under the Assigned Contract with SCDOT, plus \$2.5 million in respect of right-of-way acquisition and utility relocation costs in excess of \$15 million.

Term of the Agreement and Repayment By Horry - Horry County shall make payments over 20 years on IGA Loan #1 as set-forth in amended agreements by paying \$15 million per year, for 20 years, (\$300 million total) beginning with the first payment due July 1, 1998, at zero (0%) percent interest. All subsequent payments shall be made in quarterly installments of \$3.75 million each, with the first such quarterly payment due October 1, 1998. Horry County covenants to pay when due all sums owing to the SIB under the terms of this agreement.

Source of Funds for Repayment - Horry County shall make payments from its Hospitality 1.5% Special Revenue Fund created by Ordinances #105-96 and #7-97. Horry County shall not be obliged to make payments from any other source of funds available to Horry County, provided that these Ordinances are not repealed or amended in any way that would reduce or halt the deposit of hospitality fees into the Hospitality 1.5% Special Revenue Fund or abolish that Fund.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 17. Intergovernmental Agreements - RIDE Projects (continued)

Maintenance Contribution - Horry County shall pay SCDOT \$100,000 per year for 20 years (a total of \$2.0 million) over and above the construction costs amounts of Table 1 projects above, for the purpose of defraying the costs of maintenance on the RIDE Projects. The first such payment shall be made one year after the Conway Bypass is opened to traffic (in year 2002), with succeeding payments to be made on the anniversary dates thereafter.

Pursuant to IGA #3, Exhibit B (dated May 21, 2002) the maintenance contribution liability of \$2.0 million was deleted in its entirety.

Intergovernmental Agreement #2 - dated April 21, 1998 (as amended)

As amended, SIB agreed to fund Table 3 projects of the RIDE application by way of loans of up to \$199.4 million to Horry County for Table 3 projects, and an additional \$48.2 million loan for Table 1 projects in the RIDE plan, all secured by payments from Horry County.

Term of the Agreement and Repayment by Horry - Horry County shall make payments over 20 years as set forth in an attachment to the agreement. The annual loan repayments, as shown on an attachment to the agreement, are due and payable in equal quarterly installments on March 31, June 30, September 30, and December 31 of each calendar year, beginning March 31, 2000, and ending December 31, 2016, or date final repayments on all loans hereunder have been made. From revenues deposited into the Loan Servicing Account, SIB shall cause the state treasurer to make payments required under IGA Loans # 1 and #2.

Establishment of Loan Servicing Account - The SIB established with the state treasurer a separate account known as the "Loan Servicing Account". Horry County will thereafter deposit all future receipts of the 1.5% portion of its Hospitality Fee (net of administrative takedown as described in ordinances #105-96 and #9-97) into this account (subject to the establishment of the Loan Reserve Account). SIB will make transfers from this account to make loan payments under this Agreement and payments under IGA #1 and #2.

Establishment of Loan Reserve Account - The SIB established a special interest bearing account with the state treasurer known as the "Loan Reserve Account". For repayment of IGA #1 and #2, Horry County agreed to transfer the entire current cash balance and all future hospitality fee collections in its special revenue fund to this account. The state treasurer may invest the funds in its "Local Government Investment Pool" or such other funds or instruments as state treasurer deems appropriate. All interest earned on such funds will accrue to the Loan Reserve Account. The balance will remain with the SIB throughout the term of the IGA Loans and will be used as a reserve and to make up possible shortfalls in revenues available to make annual loan repayments and to provide credit enhancements. The SIB, at its sole discretion, may use such funds for the purchase of insurance or other third-party guaranties to enhance the projected revenues to be received from Horry County.

Hospitality Fees collected by Horry County are forwarded to the SIB monthly. Any annual revenues over and above the amount necessary to make loan repayments from the Loan Servicing Account are deposited to the "Loan Reserve Account". At the end of the term of IGA Loan #1 and #2, any balance held in the Loan Reserve Account will be returned to Horry County.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 17. Intergovernmental Agreements - RIDE Projects (continued)

Amendment to Master Loan Agreement

Pursuant to an amendment to the Master Loan Agreement (dated April 27, 1999), SIB agreed to provide for \$95 million additional loans to Horry County for Phase II of the Conway Bypass Project in Table 1. SIB's agreement to loan Horry County the additional \$95 million under IGA #1 for the Conway Bypass Project increase requires SCDOT to repay the \$95 million loan for Horry County in its entirety.

Intergovernmental Agreement #3 - dated May 21, 2002

Horry County and the SIB agreed to additional funding and construction of an additional phase of the RIDE Program in Horry County not to exceed \$198 million. Accordingly, Horry County pledged revenues derived from a certain admissions tax totaling \$2,279,950, and the funding of other related highway projects identified in the application in the approximate amount of \$20,550,000. SIB agreed to fund the balance of the construction costs through grants.

Term of Agreement and Contribution by Horry

Beginning May 31, 2002, Horry County promises to pay, from any legally available sources or revenues of Horry County, the sum of \$2,279,950 in amounts equal to the collection of revenues derived from a certain special revenue admissions tax, including all interest or other earnings thereon. Horry County shall make consecutive quarterly payments until such balance is paid in full.

The agreement further requires Horry County, from its own sources of funds, to fund and complete the component projects identified in the application totaling \$20,550,000. The schedule for completion of these projects shall be left to the discretion of Horry County in accordance with Ordinance #174-99 (Multi-County Business Park) and any related ordinances or agreements.

Amendments to Previous Agreements

Exhibit B of IGA #3, amended IGA #1 and #2 (and their amendments) to (1) clarify and conform certain provisions in those agreements with each other and to the requirements of lenders, credit rating agencies, or bond insurers involved with the SIB, and (2) to confirm quarterly debt repayment requirements pursuant to a prioritization schedule - which includes IGA Loan #1 totaling \$300 million as first priority due in quarterly installments of \$3.75 million (with zero percent interest) through June 2017, amending IGA Loan #2 repayment amounts (originally totaling \$247,577,644 in loan amounts) to a total repayment amount of \$352,440,172 with \$162,100,000 (known as the "insured portion") to be paid in quarterly installments through the year ended June 30, 2022 and \$190,340,172 (known as the "uninsured portion") to be paid in quarterly installments through the year ended June 30, 2022.

Additionally, Exhibit B calls for the state treasurer to withhold funds allotted or appropriated by the State to Horry County and apply those funds to make or complete required debt service payments should Horry County fail to make any payment as required under the RIDE agreements.

On December 18, 2003, the Commission of the South Carolina Department of Transportation (SCDOT), agreed to replace the County's \$10 million reserve requirement with an SCDOT guarantee of an equal amount upon the following changes to the loan agreement: Horry County extends its Hospitality Fee Ordinance for a period not to exceed five (5) years; and the County agrees to restructure its annual loan payments based upon new financial projections. If Horry County utilizes the \$10 million reserve; it will be repaid to SCDOT at some future time when the County's funds are sufficient to make the necessary repayments.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 17. Intergovernmental Agreements – RIDE Projects (continued)

In June of 2007, the County entered into an intergovernmental agreement with the State Infrastructure Bank in which the County received a funding commitment for the Widening of 707 of \$150 million from the State Infrastructure Bank. In November of 2007, the entered into an additional intergovernmental agreement with the State Infrastructure Bank in which the County received additional funding in the amount of \$85 million for the Widening of 707. \$235 million was made available for immediate distribution by the State Infrastructure Bank. A portion of the local sales tax (\$93.6 million) serves as the local match for the funds contributed by the County for the Widening of 707.

Note 18. Commitments and Contingencies

Litigation - The County is party to various legal proceedings that normally occur in governmental operations. County officials believe the legal proceedings are not likely to have a material adverse effect on the County's financial position.

The discretely presented component unit HCSWA is also a defendant in various lawsuits. The outcome of the lawsuits is not presently determinable; however HCSWA's management believes that any liability related to the lawsuits would not be material to its financial statements.

Federal and State Assisted Programs

In the normal course of operations, the County participates and receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority to insure compliance with conditions precedent to the granting of funds. Such audits could result in the possible liability for reimbursement or refund of grant monies to the grantor agencies. However, the County's management believes that any liability for reimbursement which may arise as the result of such audits would not be material to the financial position of the County.

Commitments

The County has undertaken significant road construction projects to address transportation needs within the County. The construction program known as Road Improvement and Development Effort (RIDE) is being implemented in phases and includes a series of interconnected highway construction and road enhancements that will improve the transportation network in the County.

The participating parties for the RIDE project are the County, the South Carolina Transportation Infrastructure Bank and the South Carolina Department of Transportation. The role of the South Carolina Transportation Infrastructure Bank is to provide the necessary financing and funding for the RIDE project.

Major projects in RIDE are the Conway Bypass (Highway 22), a six-lane controlled access highway between Aynor and Conway at Highway 501 to U.S. 17 near the Myrtle Beach Mall (formerly known as the Colonial Mall); and Carolina Bays Parkway (Highway 31); a six-lane limited access highway between S.C. Highway 9 in the North and S.C. Highway 544 in the South; a four-lane bridge spanning the Intercoastal Waterway at Fantasy Harbour; and the North Myrtle Beach Connector, a four-lane road connecting S.C. Highway 90 and U.S. 17 to the Carolina Bays Parkway. Other projects resulted in improvements to S.C. Highway 544, S.C. Highway 501 and U.S. 17. In fiscal year 2007, the County received approval of a \$40,000,000 grant from the South Carolina Transportation Infrastructure Bank Board for engineering and environmental work and right of way acquisitions for extension of the Carolina Bays Parkway and the widening of S.C. 707. During fiscal year 2008, the County received notification that the State Infrastructure Bank approved a commitment to provide funding of \$85 million for the continued extension of Carolina Bays Parkway (Highway 31) to the southern portion of Horry County ending at S.C. Highway 707; there is no matching requirement on these funds.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 18. Commitments and Contingencies (continued)

During the year ended June 30, 2008, the Airport received grants from the FAA to fund certain improvements and expansions. In connection with these grants, the Airport is obligated to administer the program and spend the grant monies in accordance with regulatory restrictions and is subject to audit by the grantor agency. In the event of noncompliance, the agency may require the Airport to refund program awards. The Airport's management does not believe funds, if any, would have a material adverse effect on the Airport's financial position or results of operations.

The discretely presented component unit HCSWA entered into various contracts in conjunction with the horizontal expansion of the Subtitle D landfill. The costs of the contracts total \$6,906,557 of which \$839,211 had been incurred as of June 30, 2008.

Note 19. Risk Management

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation; and natural disasters for which commercial insurance is carried. The County and its component units carry commercial insurance to cover all losses, excluding vehicle comprehensive and collision coverage and including workers' compensation. During the year ended June 30, 2008, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the County's coverage in any of the past three (3) years.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 20. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance amounts and net asset-governmental activities. The details of the reconciled amount are as follows:

Capital assets (exclusive of Internal Service Fund Capital Assets) in governmental activities are not financial resources and therefore are not reported in the fund financial statements.

Capital assets	626,181,013
Less, accumulated depreciation	(83,693,482)
Net amount reported	<u><u>542,487,532</u></u>

Some of the County's taxes will be collected after year end, but are not available soon enough to pay for current period expenditures.

Property taxes, net of allowance for collectible	4,170,192
Capital Project Sales Tax	13,586,238
Net amount reported	<u><u>17,756,430</u></u>

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.

<u><u>12,319,761</u></u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.

Accrued interest payable	(6,618,209)
Long-term bond and other obligations	(531,732,082)
Less: Net present value adjustment of RIDE loans	18,359,040
Net amount reported	<u><u>(519,991,251)</u></u>

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 20. Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. Explanation of differences between the governmental statement of revenues, expenses and fund balances and the government-wide statement of activities

The governmental fund statement of revenue, expenses and changes in fund balances includes a reconciliation between net changes in fund balance and changes in net assets-governmental activities. The details of the reconciled amounts are as follows:

Governmental 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 exceeds depreciation in the current period.

Capital outlay expenditures	\$ 26,439,753
Depreciation expense	<u>(12,357,794)</u>

Net amount reported	<u>\$ 14,081,959</u>
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in these funds.

Property taxes and capital project sales tax	\$ 14,033,849
Capital contributions (revenue)	<u>1,144,979</u>

Net amount reported	<u>\$ 15,178,828</u>
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Some receivables will not be collected soon enough after the County's fiscal year end to be considered "available", and accordingly are deferred in the governmental funds.

<u>\$ 2,145,056</u>

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 the governmental funds.

Net post employment benefit obligation	\$ (4,985,443)
Change in accrued interest expense	(2,334,054)
Accrued compensated absences	<u>(1,054,486)</u>

Net amount reported	<u>\$ (8,373,983)</u>
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from bonds and capital lease obligations	\$ (62,000,000)
Principal repayments of long-term debt and transfers to escrow agents and other related costs	<u>21,713,293</u>

Net amount reported	<u>\$ (40,286,707)</u>
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The net revenue of certain activities of internal service funds reported with governmental activities.

<u>\$ 1,152,446</u>

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 21 New Accounting Pronouncements

In August of 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. The Statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This Statement, which is effective for the County for the year ended June 30, 2008 has a resulting government-wide liability stated of \$5,140,807.

In December of 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

In July of 2004, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early-retirement incentives) when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits (for example, severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

In September of 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments – generally, a single lump sum. The financial reporting question addressed by this Statement is whether that transaction should be regarded as a sale or as a collateralized borrowing resulting in a liability. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as a revenue or as a liability. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006. This Statement did not have an impact on the County's financial statements.

In December of 2006, the GASB issued Statement No. 49, *Accounting and Reporting for Pollution Remediation Obligations*. This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and certain recognition triggers occur. This Statement is effective for periods beginning after December 15, 2007. Management of the County does not expect this Statement to have a significant effect on the County's financial statements.

HORRY COUNTY, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 21. New Accounting Pronouncements (continued)

In May of 2007, the GASB issued Statement No. 50, *Pension Disclosures*. This statement will require notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan—in other words, the degree to which the actuarial accrued liabilities for benefits are covered by assets that have been set aside to pay the benefits—as of the most recent actuarial valuation date. Governments that use the aggregate actuarial cost method to disclose the funded status and present a multi-year schedule of funding progress using the entry age actuarial cost method as a surrogate; these governments previously were not required to provide this information. Disclosure by governments participating in multi-employer cost-sharing pension plans of how the contractually required contribution rate is determined. This statement is effective for periods beginning after June 15, 2007.

In July of 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. This statement is effective for periods after June 15, 2009.

Note 22. Subsequent Events

On September 19, 2008, a Stipulation of Dismissal along with a Settlement Agreement were filed in Civil Action No.:03-CP-26-5436, Horry County v. A-1 Masonry, et al., making the settlement of the case effective on that date. According to the settlement, in consideration of payment to it in the amount of \$952,000, Horry County has settled its claims against all parties except for Chao & Associates, Inc.