

AUDITED FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
BLYTHEWOOD, SOUTH CAROLINA
YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Town Council
of the Town of Blythewood, South Carolina

I have audited the financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements, of the Town of Blythewood, South Carolina (the "Town") as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information was obtained from the Town's 2008 audited financial statements that were audited by other auditors whose report dated November 19, 2008 expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Blythewood, South Carolina at June 30, 2009, and the respective changes in financial position 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, I also issued my report dated October 9, 2009, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

V. R. McConnell

October 9, 2009

TOWN OF BLYTHEWOOD, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

This section of the Town of Blythewood, South Carolina's (the "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Per the Statement of Net Assets, the Town's total assets at year end June 30, 2009 were \$5.24 million and exceeded total liabilities by \$5.10 million. Of the total net assets at June 30, 2009, \$1,388,691 was unrestricted and available to support short term operations of the Town.

Per the Statement of Activities, the Town's total net assets increased by \$129,088 for the year ended June 30, 2009.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the Town's basic financial statements. Those financial statements have three components: 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

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

Overview of the Financial Statements (continued)

Government-Wide Financial Statements (continued) - The governmental activities of the Town include general government, planning and development, public works, community center, and tourism.

The Government-Wide financial statements can be found immediately following the discussion and analysis.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The Town adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget, and can be found in the section entitled "Required Supplementary Information".

The basic Governmental Fund financial statements can be found immediately following the "Government-Wide" financial statements.

Notes to Financial Statements - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the Government-Wide and Fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, total assets exceeded total liabilities by \$5.10 million at the close of June 30, 2009.

A large portion of the Town's assets (\$1.2 million, or 38.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and vehicles). The Town uses these capital assets to provide services to its citizens; consequently, these assets are not as available for future spending. Although the Town's investment in its capital assets is reported in 'net assets' as net of related debt (or \$1.9 million), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-Wide Financial Analysis (continued)

Below is a 'condensed' Statement of Net Assets at June 30, 2009, (with comparative amounts for 2008), which depicts the major components of the Town's assets, liabilities and net assets.

	Governmental Activities	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Assets:</u>		
Cash and cash equivalents:		
Unrestricted	\$ 2,466,154	\$ 1,235,302
Restricted	607,830	1,838,820
Other current assets	131,075	357,381
Capital assets, net of accumulated depreciation	2,031,107	1,782,658
Total assets	<u>\$ 5,236,166</u>	<u>\$ 5,214,161</u>
<u>Liabilities and Net Assets:</u>		
Current liabilities	\$ 74,372	\$ 156,430
Non-current liabilities	56,844	89,897
Total liabilities	<u>131,216</u>	<u>246,327</u>
Net invested in capital assets	1,954,729	1,682,385
Restricted	1,761,530	1,836,990
Unrestricted	1,388,691	1,448,459
Total net assets	<u>5,104,950</u>	<u>4,967,834</u>
Total liabilities and net assets	<u>\$ 5,236,166</u>	<u>\$ 5,214,161</u>

A portion of the Town's net assets (\$1,761,530, or 35%) represents resources that are subject to external restrictions on how they may be used, which primarily are accommodation and hospitality taxes held for tourism and economic development. The remaining balance of unrestricted net assets (\$1,388,691, or 27%) may be used to meet the government's ongoing obligations to citizens and creditors.

Government-Wide Financial Analysis (continued)

The Town's components of changes in net assets for FY 2009 (with comparative amounts for 2008), are illustrated in the following table:

	Governmental Activities	
	2009	2008
Revenue		
Program revenue:		
Charges for services	\$ 23,924	\$ 50,503
General revenue:		
Property taxes	-	497
State shared and unallocated intergovernmental	623,951	415,166
Hospitality and accommodation taxes	329,354	325,089
Business licenses	150,923	434,610
Franchise fees	131,343	116,340
Other	75,735	169,474
Total revenue	<u>1,335,230</u>	<u>1,511,679</u>
Expenses		
General government	636,301	431,190
Planning and development	239,294	50,993
Public works	61,251	105,013
Community center	15,911	6,450
Tourism	217,951	54,686
Depreciation (unallocated)	30,970	26,732
Interest	4,464	4,915
Total expenses	<u>1,206,142</u>	<u>679,979</u>
Change in net assets	129,088	831,700
Beginning net assets (as restated)	<u>4,975,862</u>	<u>4,136,134</u>
Ending net assets	<u><u>\$ 5,104,950</u></u>	<u><u>\$ 4,967,834</u></u>

Government-Wide Financial Analysis (continued)

Expenses and Program Revenues - Governmental Activities — Governmental expenses are funded by fees for services, grants and contributions and general revenues. The Statement of Activities details this activity for the Town.

Overall the Town's financial position is similar to the prior year. The Town's overall funding structure is characterized by an overwhelming reliance on general revenues to fund activities.

	(Expenses)	Program Revenue	Net (Expense)	% Funded by Program Revenues	% Required to be Funded by General Revenues
General government	\$ (636,301)	\$ -	\$ (636,301)		100%
Planning and development	(239,294)	20,974	(218,320)	9%	91%
Public works	(61,251)	-	(61,251)		100%
Community Center	(15,911)	2,950	(12,961)	19%	81%
Tourism	(217,951)	-	(217,951)		100%
Unallocated depreciation	(30,970)	-	(30,970)		110%
Interest	(4,464)	-	(4,464)		100%
Totals	\$ (1,206,142)	\$ 23,924	\$(1,182,218)	2%	98%

Depreciation expense was not allocated to the Town's functions and is shown as a single line item in the Statement of Activities as "unallocated".

General Revenues by Source — Governmental Activities

	2009	2008
Property taxes	\$ -	\$ 497
State shared revenue and unallocated intergovernmental	623,951	415,166
Hospitality and accommodation taxes	329,354	325,089
Business licenses	150,923	434,610
Franchise fees	131,343	116,340
Investment earnings	41,808	103,134
Miscellaneous	33,927	66,340
Total	\$ 1,311,306	\$ 1,461,176

General Fund Budgetary Highlights – The Town budgeted to spend \$1,630,500 for the fiscal year ended June 30, 2009 and spent \$1,206,142.

Government-Wide Financial Analysis (continued)

Local Accommodations and Hospitality Tax Proceeds

The Blythewood Town Council enacted in November 1998 an ordinance (No. 6.304) that imposed a local tax on paid accommodation equal to 3% of gross proceeds of any facility that was required to pay sales tax by the State of South Carolina. South Carolina Code Section 6-1500 through 570 authorizes this Local Accommodations Tax. The state law requires these funds to be separated in a restricted account along with any interest earned. The purposes to which the proceeds of this tax may be expended are listed in six categories:

- 1) tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums;
- 2) tourism-related cultural, recreational, or historic facilities;
- 3) beach access, etc.;
- 4) highways, roads, streets, and bridges providing access to tourist destinations;
- 5) advertisements and promotions related to tourism development; or
- 6) water and sewer infrastructure to serve tourism-related demand.

In June 2007, the Town Council enacted an ordinance (No. 6.306) that imposed a local tax on prepared meals and beverages sold in the Town equal to 2% of gross sales. South Carolina Code Section 6-1-700 through 770 authorizes this Local Hospitality Tax. The state law requires these funds to be separated in a restricted account along with any interest earned. The purposes to which the proceeds of this tax may be expended are identical to those eligible expenditure categories listed for the Local Accommodations Tax.

In addition, in a county, such as Richland County, with a high concentration of tourism related activity, the Local Accommodations and Local Hospitality Tax proceeds may be used for the operation and maintenance of the six activities or facilities listed as eligible to include police, fire protection and emergency services.

Prior to January 2009, when a new Mayor and two new Council Members were elected to the Blythewood Town Council, funds derived from the Local Accommodations and Hospitality Taxes were accumulated in anticipation of the construction of a meeting and tourist welcome center facility known as "The Depot", as well as a surrounding park that included a performance amphitheater, retail shops and an in-line skate park. With the newly elected Town Council members forming a new majority, the plans for the construction of the Depot and Park were expanded and new plans developed.

Government-Wide Financial Analysis (continued)

Local Accommodations and Hospitality Tax Proceeds (continued)

The Town Council has directed that Accommodations and Hospitality Tax proceeds be dedicated to these projects:

- 1) Events planning and implementation. This activity is eligible under category #2 of the State law (SC Code Section 6-1-530(A)(2));
- 2) Wi-Fi and web page. This activity is eligible under category #4 of the State law (SC Code Section 6-1-530(A)(4));
- 3) The renovation and expansion of the Blythewood Community Center to include improvements to its appearance and functionality, the addition of a new commercial kitchen, the construction of an office and visitors center. This activity is eligible under category #1 of the State law (SC Code Section 6-1-530(A)(1));
- 4) The expansion and improvement of the property owned by the Town of Blythewood surrounding the Blythewood Community Center to improve its appearance through landscaping and its functionality as a visitor and recreational facility to include improved parking, access, and sports fields and amenities. This activity is eligible under category #2 of the State law (SC Code Section 6-1-530(A)(2));
- 5) Improvements, such as landscaping and lighting, to the Interstate 1-77 interchange. This activity is eligible under category #4 of the State law (SC Code Section 6-1-530(A)(4));
- 6) Improvements, such as landscaping, lighting, sidewalks, street fixtures & furniture, to the tourism access corridor along Blythewood and McNulty Roads. This activity is eligible under category #4 of the State law (SC Code Section 6-1-530(A)(4)); and
- 5) Maintenance and security of the tourism access corridor along Blythewood and McNulty Roads to include on-going right-of-way maintenance and additional crime prevention. This activity is eligible under State law (SC Code Section 6-1-530(B)) for counties with a high concentration of tourism.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$1.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles and furniture.

Additional information on the Town's capital assets can be found in Note F of this report.

Long-Term Debt - At the end of the current fiscal year, the Town had total debt outstanding equaling \$76,378 (\$25,048 current and \$51,330 long-term), for a note payable.

Additional information on the Town's long-term debt can be found in Note G of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Administrator, Town of Blythewood, South Carolina.

FINANCIAL SECTION

STATEMENT OF NET ASSETS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

		Governmental Activities	
		2009	2008
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,466,154	\$ 1,235,302
Receivables, net		27,756	258,161
Due from other governments		103,319	99,220
TOTAL CURRENT ASSETS		2,597,229	1,592,683
Non-current assets			
Restricted cash and cash equivalents		607,830	1,838,820
Capital assets, net of accumulated depreciation		2,031,107	1,782,658
TOTAL ASSETS		\$ 5,236,166	\$ 5,214,161
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses		\$ 30,846	\$ 113,333
Current portion of long-term debt - note payable		25,048	23,918
Deferred revenue		18,478	19,179
TOTAL CURRENT LIABILITIES		74,372	156,430
Long-term debt			
Accrued compensated absences		5,514	13,543
Note payable		51,330	76,354
Total long-term debt		56,844	89,897
TOTAL LIABILITIES		131,216	246,327
NET ASSETS			
Investment in capital assets, net of related debt		1,954,729	1,682,385
Restricted for tourism and economic development		1,761,530	1,836,990
Unrestricted		1,388,691	1,448,459
TOTAL NET ASSETS		5,104,950	4,967,834
TOTAL LIABILITIES AND NET ASSETS		\$ 5,236,166	\$ 5,214,161

See notes to financial statements.

STATEMENT OF ACTIVITIES
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2009	2008
Governmental activities						
General government	\$ (604,874)	\$ --	\$ --	\$	\$ (604,874)	\$ (431,190)
Planning and development	(239,294)	20,974	-		(218,320)	(50,993)
Public works	(61,251)	-	-		(61,251)	(55,310)
Community center	(15,911)	2,950	-		(12,961)	(5,650)
Tourism	(217,951)	-	-		(217,951)	(54,686)
Depreciation (unallocated)	(30,970)	--	--		(30,970)	(26,732)
Interest	(4,464)	--	--		(4,464)	(4,915)
TOTAL GOVERNMENT	\$ (1,174,715)	\$ 23,924	\$ -	\$ -	(1,150,791)	(629,476)
General revenues						
Property taxes					--	497
State shared and unallocated intergovernmental					623,951	415,166
Hospitality and accommodation taxes					329,354	325,089
Business licenses					150,923	434,610
Franchise fees					131,343	116,340
Interest income					41,808	103,134
Miscellaneous revenue					2,500	66,340
Total general revenues					1,279,879	1,461,176
CHANGE IN NET ASSETS					\$ 129,088	\$ 831,700
BEGINNING NET ASSETS, as restated					4,975,862	4,136,134
ENDING NET ASSETS					\$ 5,104,950	\$ 4,967,834

See notes to financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

	Major Funds					Total Governmental Activities
	General Fund	State Accommodation Tax Fund	Local Accommodation Tax Fund	Hospitality Tax Fund	Total	
Assets						
Cash and cash equivalents	\$ 2,466,154	\$ 73,422	\$ 292,602	\$ 241,806	\$ 3,073,984	
Accounts receivable	--	--	7,709	20,047	27,756	
Due from other governments	85,992	17,327	--	--	103,319	
Due from other funds	43,853	10,234	527,134	711,914	1,293,135	
TOTAL ASSETS	\$ 2,595,999	\$ 100,983	\$ 827,445	\$ 973,767	\$ 4,498,194	
Liabilities and fund balance						
Liabilities						
Accounts payable and accrued liabilities	\$ 30,846	--	--	--	\$ 30,846	
Due to other funds	1,152,470	47,873	71,205	21,587	1,293,135	
Deferred revenue	18,478	--	--	--	18,478	
TOTAL LIABILITIES	1,201,794	47,873	71,205	21,587	1,342,459	
Fund balances:						
Reserved for:						
Encumbrances	--	--	--	--	--	
Tourism development	--	53,110	756,240	952,180	1,761,530	
Unreserved, undesignated reported in:						
General fund	1,394,205	--	--	--	1,394,205	
TOTAL FUND BALANCE	1,394,205	53,110	756,240	952,180	3,155,735	
- LIABILITIES AND FUND BALANCE	\$ 2,595,999	\$ 100,983	\$ 827,445	\$ 973,767	\$ 4,498,194	

See notes to financial statements.

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

Fund balance--governmental fund		\$ 3,155,735
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation</p>		
Capital assets of governmental activities	2,288,920	
Less accumulated depreciation on capital assets	<u>(257,813)</u>	2,031,107
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Compensated absences	(5,514)	
Long-term debt	<u>(76,378)</u>	(81,892)
		<u> </u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 5,104,950</u></u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 TOWN OF BLYTHEWOOD SOUTH CAROLINA
 Year Ended June 30, 2009

	Major Funds					Total Governmental Activities
	General Fund	State Accommodation Tax Fund	Local Accommodation Tax Fund	Hospitality Tax Fund	Total	
Revenues						
Property and local options sales taxes	\$ 296,121	\$ --	\$ --	\$ --	\$ --	\$ 296,121
State shared revenue	58,306	53,510	-	-	-	111,816
Accommodations and hospitality taxes	-	-	89,719	239,635	-	329,354
Licenses and permits	519,254	-	-	-	-	519,254
Other revenue	5,450	-	-	-	-	5,450
Interest income	16,253	761	10,502	14,292	-	41,808
TOTAL REVENUES	895,384	54,271	100,221	253,927	1,303,803	
Expenditures						
General government	604,874	-	-	-	-	604,874
Planning and development	239,294	-	-	-	-	239,294
Public works	61,251	-	-	-	-	61,251
Community center	15,911	-	-	-	-	15,911
Tourism	-	55,868	109,966	52,117	-	217,951
Debt service						
Principal	23,894	-	-	-	-	23,894
Interest	4,464	-	-	-	-	4,464
Capital Outlay	39,917	-	-	239,502	-	279,419
TOTAL EXPENDITURES	989,605	55,868	109,966	291,619	1,447,058	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(94,221)	(1,597)	(9,745)	(37,692)	(143,255)	
Other Financing Sources and (uses)						
Transfers in (out)	26,426	(26,426)	-	-	-	-
Total other financing sources and (uses)	26,426	(26,426)	-	-	-	-
Net change in fund balances	(67,795)	(28,023)	(9,745)	(37,692)	(143,255)	
Fund balance at beginning of year	1,462,000	81,133	765,985	989,872	3,298,990	
FUND BALANCE AT END OF YEAR	\$ 1,394,205	\$ 53,110	\$ 756,240	\$ 952,180	\$ 3,155,735	

See notes to financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$ (143,255)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets	
Capital assets purchases capitalized	279,419
Depreciation expense	(30,970)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Hoffman House Mortgage principal payments	23,894
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 129,088

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Blythewood, South Carolina (the "Town") was enacted under the laws of the State of South Carolina. The Town operates under the Council-Mayor form of government and provides the following services as authorized by its charter: public improvements, planning and zoning, general and administrative services.

The Town complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In both the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements are followed. FASB and APB are the accepted standard setting bodies for establishing financial and reporting principles for business-type or enterprise reporting principles.

Financial Reporting Entity

In evaluating how to define the Town's financial reporting entity, management has considered all potential component units associated with the Town. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GAAP regardless of legal arrangements. The basic criterion for including a potential component unit is the Town's ability to exercise oversight responsibility. The most significant manifestation of this criteria is financial interdependency. Other manifestations include the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion is the scope of public service provided by the potential component unit and to which the activity benefits the Town or its constituents, to which the activity is conducted within the Town's geographic boundaries and is generally available to its constituents.

A third criterion is the existence of special financing relationships between the potential component unit and the Town, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town's financial reporting entity comprises the primary government, the Town of Blythewood. Currently, the Town has no component units.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. These component units' funds are blended into those of Town by appropriate activity type to compose the primary government presentation. Currently, the Town has one blended component unit, The Blythewood Economic Development Commission (the "BEDC").

The BEDC was established by ordinance in November 1995 to direct and manage economic development projects recommended by the Blythewood Planning Commission and approved by the Town Council. The Commission consists of a seven member board appointed by Town Council for a two year term with one member selected from the Town's elected officials with the Mayor serving as chair.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources of the Town 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 revenue and reflects the "net (expense) revenue" of the Town's individual functions before applying "general" revenues.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole, and thus reduce the net cost of the function to be financed from the government's general revenues. They 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

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

At June 30, 2009, the Town reported the General Fund, State Accommodation Tax Fund, Local Accommodation Tax Fund and the Hospitality Tax Fund as major funds.

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.

The funds of the financial reporting entity are described below:

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Special Revenue Funds

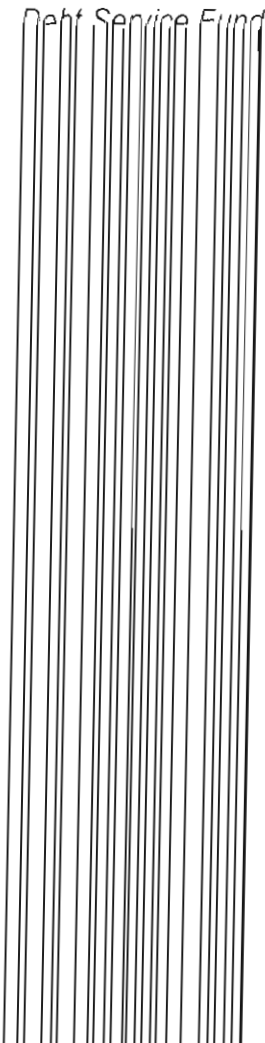
Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for certain purposes. Currently, the Town has no Special Revenue Funds.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by proprietary funds).

The Town accounts for the master plan development costs, real estate acquisition costs, architectural and engineering costs, and land improvement and survey costs incurred for its Downtown "Master Plan" Development Project in the General Fund for revitalization and improvements of its downtown infrastructure. Currently, the Town has no requirements to utilize a Capital Projects Fund

Debt Service Fund

A series of vertical lines representing a table structure for the Debt Service Fund section. The lines are closely spaced and extend from the top of the section header down to the bottom of the page, indicating a table with multiple columns and rows that are currently blank.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for certain purposes. Currently, the Town has no Special Revenue Funds.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by proprietary funds).

The Town accounts for the master plan development costs, real estate acquisition costs, architectural and engineering costs, and land improvement and survey costs incurred for its Downtown "Master Plan" Development Project in the General Fund for revitalization and improvements of its downtown infrastructure. Currently, the Town has no requirements to utilize a Capital Projects Fund

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by enterprise funds. Currently, the Town has no requirements to utilize a Debt Service Fund.

Permanent Fund

The Permanent Fund accounts for assets held by the Town pursuant to a trust agreement. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the fund. Currently, the Town has no Permanent Funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 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. The reporting entity does not have any Enterprise Funds.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Fiduciary Funds (not included in government-wide statements)

Agency Funds

Agency Funds account for significant assets held by the Town in a purely custodial capacity. Currently, the Town has no significant Agency Funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in Item b.) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used in accordance with GASB Statement Number 34 as appropriate.

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

For purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

The Town has deposits in the South Carolina Local Government Investment Pool that are treated as cash equivalents. Investments (if any) are recorded at fair value.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

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 expenditures or expenses (transfers out) in the reimbursing fund and as reductions of the expenditures or expenses (transfers in) in the fund that is reimbursed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, franchise fees, accommodation and hospitality taxes, and other intergovernmental revenues and grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as local option sales tax, property taxes, business licenses, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis but not deferred in the government-wide financial statements in accordance with the accrual basis. In instances in which differences between the use of the full accrual method and the modified accrual method (i.e. 60 day rule) of revenue recognition is not considered to be material, the Town utilizes the modified-accrual basis for both government-wide and governmental fund financial reporting where both are reasonably expected to result in similar results.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Capital Assets

The accounting treatment over capital assets (land, buildings, improvements, machinery and equipment, and infrastructure assets), depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Capital assets or fixed assets purchased or acquired with an original costs of \$500 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The Town has maintained historical cost records on the majority of its fixed assets and, accordingly, carries these assets at historical cost.

Public domains (rights-of-way and easements) have been capitalized using actual and estimated historical costs of such assets that were acquired by the Town.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives of specific types of assets is as follows:

Buildings	20 - 30 years
Infrastructure	10 - 25 years
Furniture and equipment	3 - 10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted to their use.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Long-Term Debt

The accounting treatment of long-term debt, paid out of the general fund, depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of unmatured principal of installment purchase contracts, notes payable, and obligations under capital lease agreements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a.) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b.) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c.) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Revenues, Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds--by character	Current (further classified by function)
	Debt service
	Capital outlay

Proprietary Fund--by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Property Taxes

The Town did not levy a tax on personal and real property for its fiscal year 2008-2009. Revenue and receivable reported as of and for the year ended June 30, 2009 are the result of collections of prior years' levies.

State Shared and Unallocated Intergovernmental Revenue

The Town receives funding from various State revenue source generated from appropriations and various taxes as follows:

Aid to Subdivisions and Merchant's Inventory Tax - Unrestricted revenue allocated to Municipalities in accordance with State law.

Accommodations Taxes - Restricted revenue derived from a 2% State tax on the gross proceeds on the rental of transient accommodations allocated to municipalities in accordance with State law.

Local Option Sales Tax - The Town enacted a 1% general sales tax and recognizes this revenue when remittance is received from the South Carolina Department of Revenue. The State allocates these revenues in two funds for distribution to participating counties and municipalities in accordance with State law. Revenue from the local Option Sales Tax County/Municipal Revenue Fund is unrestricted. Revenue from the Local Option Sales Tax Property Tax Credit Fund is to be used to reduce the local property tax levy for general government operations. The Town has used this revenue stream to eliminate its property tax levy.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Program and General Revenue

The Town charges fees for building permits and inspections, and admission fees for certain recreational activities. These fees and grant revenues are recorded as program revenue in the Statement of Activities. General revenues reported by the Town include property taxes, state-shared taxes, business licenses and other government imposed, non-exchange fees (e.g., franchise fees, which are general revenue fees in lieu of business licenses).

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at the fiscal year end. Project length financial plans are adopted for all capital projects funds whenever such projects are in force. The Mayor is authorized to transfer funds within line items and between departments and must inform the town council of any such transfers quarterly at regularly scheduled meetings. The Mayor is also required monthly to report to Town Council overages or transfers of \$1,000 or greater.

Encumbrances

Normally, encumbrances represent executory contracts including purchase orders that are outstanding commitments of the Town and are reported as a reservation of the respective fund balance of the Governmental Funds and an appropriation of retained earnings of the Proprietary Fund. They do not constitute an expenditure (expense) or liability under such until such time the goods are received or the service rendered, but are an extension of formal budgetary integration of the Governmental Funds and a commitment of the Proprietary Fund.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported by the governmental fund that will pay it as an expenditure and a fund liability. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement, where applicable.

Employees accrue 12 to 18 days vacation and 12 days of sick leave per year. An employee may accrue a maximum of 30 days of vacation leave. Upon termination of employment, any accrued vacation leave is earned and payable. During the year ended June 30, 2008, Town Council approved a policy where certain unused days of sick leave are eligible for accrual.

At June 30, 2009, compensated absences totaled: \$ 5,514

Deferred Revenue

In the Government-Wide financial statements and in the Governmental Fund types, certain assets are recognized in connection with a transaction before the earnings process is complete. These assets are generally offset by a corresponding liability for deferred revenue, commonly referred to as "unearned revenue." Unearned revenue in the Government-Wide and Governmental Funds consists of prepaid business license
Deferred revenue at June 30, 2009 totaled: \$ 18,478

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the Town's financial position and results of operations and disclosure of contingent assets and liabilities. The Town uses estimates to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

NOTE B - COMPLIANCE AND ACCOUNTABILITY

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state and local laws and contractual requirements. The Town's compliance with significant laws and regulations and demonstration of its stewardship over the Town's resources are as follows:

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued

Legal Compliance - Budgets

The Budget process begins in February with a detailed review and analysis of each line item as to the reliability of the previous year's budget.

Annually, the Mayor prepares goals for the upcoming year, as does Council at the annual planning retreat in March. The financial impacts of these tasks and projects are incorporated into the budgeted expenditures. These specific activities will most likely be shown in the budget as "Special Initiatives."

The Staff prepares revenue estimates for the coming year, as well as projecting known cost increases in expenditures. The results are entered into the budget templates as "First Pass" and the "draft" is transmitted to the Mayor and Council for deliberation, discussion, and modifications.

Town Council will then hold a series of budget workshops during May and June. The Public has an opportunity to comment on the budget during these meetings, as well as at the formal Public Hearing and during the two Town Council meetings required to adopt the budget.

Expenditures may not legally exceed budgeted appropriations at the program level. During the year no supplementary appropriations were necessary.

Deposits and Investments - Laws and Regulations

In accordance with South Carolina State law the Town is authorized to invest in the following types of investments:

- a.) Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged.
- b.) General obligations of the State of South Carolina or any of its political units provided such obligations are rated as a "A" or better by Moody's Investors Service, Inc. and Standard and Poor's Corporation or their respective successors.
- c.) Interest bearing accounts in savings and loan associations to the extent they are secured by the Federal Deposit Insurance Corporation.
- d.) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, with a market value not less than the amount of the certificate of deposit so secured, including interest provided, however, such collateral shall not be required to the extent the same are insured by an agency

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

of the United States Government; or deposit accounts with banking institutions insured and secured in the same manner.

NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued

Deposits and Investments - Laws and Regulations (continued)

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. Statutes also allow the State Treasurer to assist local governments in investing funds. The State Treasurer also provides oversight for the State Treasurer's Investment Pool, of which, the fair value of the Town's investments is the same as the value of the pooled shares.

The Town is under no contractual agreements which restrict investment alternatives. The Town has no investment policy that would further limit its investment choices. As of June 30, 2009, the Town's investment in the state investment pool was classified in risk category "A" of GASB Statement #3.

NOTE C - CASH AND INVESTMENTS

At June 30, 2009 the Town's deposits were \$2,411,479 and the bank balance was \$2,436,504. The bank balances were classified into three categories of custody risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2009. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement.

	Category			Bank Balance
	1	2	3	
Demand deposits	\$ 250,000	\$ 2,186,504	\$ --	\$ 2,436,504
Time deposits	--	--	--	\$ --
	\$ 250,000	\$ 2,186,504	\$ --	\$ 2,436,504

Carrying value on Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$ 2,466,154
Restricted cash, including time deposits	607,830
	\$ 3,073,984

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE C - CASH AND INVESTMENTS--continued

Custodial credit risk of investments is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2009, none of the Town's investments of \$662,506 were exposed to custodial credit risk.

Interest Rate Risk - The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2009, the Town had the following investment types:

	<u>Fair Value</u>	<u>Maturity</u>
State of South Carolina Local Government Investment Pool	\$ 662,506	On Demand
Total fair value	\$ 662,506	

NOTE D - RECEIVABLES

Receivables at June 30, 2009 consisted of the following:

		<u>Governmental Activities</u>
Accounts receivable:		
Local accommodation tax	\$ 7,709	
Hospitality tax		20,047
		27,756
Less allowance for uncollectibles		--
		\$ 27,756
 Due from other governments:		
State accommodation tax	\$ 17,327	
Local option sales tax		74,901
Aid to subdivisions		11,091
Total due from other governments	\$ 103,319	

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE E - Due to/from Other Funds

Balances at June 30, 2009, consisted of the following:

	Due From	Due To
General Fund	\$ 43,853	\$ 1,152,470
State Accommodation Tax Fund	10,234	47,873
Local Accommodation Tax Fund	527,134	71,205
Hospitality Tax Fund	711,914	21,587
Totals	\$ 1,293,135	\$ 1,293,135

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as following:

	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
Governmental activities				
Cost or other basis				
Land	\$ 1,488,530	\$ 239,502	\$ --	\$ 1,728,032
Buildings and improvements	252,713	--	--	252,713
Infrastructure	86,115	--	--	86,115
Furniture and Equipment	182,143	39,917	--	222,060
	2,009,501	279,419	--	2,288,920
Less accumulated depreciation				
Buildings and improvements	43,982	8,590	--	52,572
Infrastructure	71,481	8,612	--	80,093
Furniture and equipment	111,380	13,768	--	125,148
	226,843	30,970	--	257,813
Governmental activities capital assets, net	\$ 1,782,658	\$ 248,449	\$ --	\$ 2,031,107

NOTE G - Long-Term Debt

Long-term debt of the Town at June 30, 2009, consisted of the following:

Note payable to the First Citizens Bank dated May 20, 2002, secured by a mortgage on the Town Hall property with an original amount of \$224,000 bearing interest at 4.75% for ten years with monthly payments of principal and interest in the amount of \$2,346.

	\$ 76,378
Less, current portions (due within one year):	(25,048)
	\$ 51,330

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
 June 30, 2009

NOTE G - Long-Term Debt--continued

Annual Requirements for Long-Term Debt

Annual principal and interest requirements to amortize notes payable at June 30, 2009, are summarized as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 25,048	\$ 3,109	\$ 28,157
2011	26,265	1,892	28,157
2012	25,065	617	25,682
	<u>\$ 76,378</u>	<u>\$ 5,618</u>	<u>\$ 81,996</u>

NOTE H - RETIREMENT PLAN

The South Carolina Retirement System (SCRS) is a cost sharing, multi-employer defined benefit pension plans administered by the South Carolina Retirement Systems, a Division of the State Budget and Control Board. The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The SCRS assumes no liability for State ORP benefits, as they are the liability of the investment providers.

The SCRS offers retirement, disability, survivor, and group life insurance benefits to eligible members or beneficiaries. Group life insurance benefits are also available to active State ORP participants. Each July 1, eligible retired members of the SCRS and the PORS will receive an automatic cost-of-living adjustment (COLA) equal to the percentage of the annual increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W) as of the previous December 31, up to an increase of 2 percent. If the CPI-W is less than 2 percent, the COLA will equal the actual increase in the CPE-W. COLAs are paid only during periods of inflation. The Plans' provisions are established under Title 9 of the SC Code of Laws.

The SCRS issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS, which is publicly available on their website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Membership

All permanent, full-time or part-time employees of covered employers must join unless specifically exempted by statute or are eligible for and elect to participate in the State ORP.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE H - RETIREMENT PLAN--continued

The following information briefly describes the plans:

	<u>SCRS</u>
Employee contributions	
Class II	6.5% total salary
Employer contributions	
Class II	9.24% total salary
Vesting requirements	5 years
Normal retirement age	65
Employer's current year's	
Covered payroll	\$ 215,976
Total payroll	\$ 215,976
Contributions required	
Employees	\$ 14,038
Employer	\$ 19,956

The amounts paid by the government for pension, group-life, and accidental death benefits are reported as employer retirement expenditures.

Under current statutes, employees who retire at age 65 or after 28 years of service (public safety employees after age 55 or 25 years of service) are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.45% and 1.82% of the average final compensation times years of credited service for Class I and Class II employees, respectively, and \$10.97 per month for each year of service and, 2.14% of average final compensation times years of credit service for under Class I and Class II for public safety employees.

Member employees who are at least 55 years of age may elect early retirement with reduced benefits. In either case, any unrecovered contributions are payable upon death and benefit payments increase 2% each year provided the increase in the Consumer Price Index as of the prior December 31 is at least 2%. Increases in excess of 2%, up to a total of 4%, may be approved by the Budget and Control Board if the CPI increase exceeds 2% and the unfunded liability amortization period for SCRS does not exceed 30 years.

Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement systems also provides death and disability benefits to all member employees.

Participating employers are also required to contribute .15% of total salary for group life insurance for the SCRS and State ORP.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
June 30, 2009

NOTE H - RETIREMENT PLAN--continued

TERI Program

The Teacher and Employee Retention Incentive Program (TERI), is a deferred retirement option program. Upon meeting normal retirement eligibility, a member can elect to retire and continue working under the TERI program for a maximum of five years, after which employment will cease. During the TERI participation, the retirement annuity is not paid to the TERI retirees, but monthly benefits are accumulated in TERI accounts and are distributed to the members upon termination of employment.

For members retiring after June 30, 2005, a payment for annual leave is not included in calculating benefits. Upon termination, however, benefits are increased prospectively to include payment for up to 45 days of annual leave paid at termination of employment. No interest is credited to the TERI account.

TERI participants who entered the program after June 30, 2005, must continue to contribute at the same rate as active members. Those who entered prior to July 1, 2005, make no employee contributions while participating in TERI. No additional service credit is earned during this period and participants are ineligible for disability retirement benefits.

The Systems do not make separate measurements of assets and pension benefit obligations for individual employers. By state law, the Town's liability under the Retirement Plans is limited to the amounts contributed for the applicable year. Accordingly, the Town recognizes no contingent liability for unfunded costs associated with participation in the plans. All actuarially required contributions due to the plans were paid. Information concerning the authority under which benefit provisions and employee obligations to contribute are established, the significant actuarial assumptions for the plans, an explanation of the pension benefit obligation, the pension benefit obligation for the systems, the total net assets available for benefits, and ten-year historical trend information showing the Systems' progress in accumulating sufficient assets to pay benefits when due is presented in the Systems' June 30, 2009 separately issued reports.

NOTE I - BLYTHEWOOD ECONOMIC DEVELOPMENT COMMISSION

The Blythewood Economic Development Commission fulfilled its objective and therefore is inactive until another objective or project is identified.

NOTE J - RISK MANAGEMENT AND CONTINGENCIES

The Town is exposed to various risks of losses related to torts; thefts of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Town manages risk through employee educational and prevention programs and through the purchase of casualty and liability insurance. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims the Town considers all events that might give rise to possible claims both reported and unreported.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES --BUDGET AND ACTUAL
GENERAL FUNDS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Property and local option sales taxes	\$ 330,000	\$ 330,000	\$ 290,121	\$ (39,879)
License and permits	618,000	618,000	526,812	(91,188)
Hospitality and accommodations tax	325,000	325,000	329,354	4,354
	<u>1,273,000</u>	<u>1,273,000</u>	<u>1,146,287</u>	<u>(126,713)</u>
State sources				
Accommodations tax	65,000	65,000	53,511	(11,489)
State shared revenue	--	--	597	597
State aid to subdivisions	50,000	50,000	57,709	7,709
SAT fund balance allocation	20,000	20,000	--	(20,000)
	<u>135,000</u>	<u>135,000</u>	<u>111,817</u>	<u>(23,183)</u>
Other sources				
Interest	103,000	103,000	41,808	(61,192)
Miscellaneous revenue	2,000	2,000	3,891	1,891
	<u>105,000</u>	<u>105,000</u>	<u>45,699</u>	<u>(59,301)</u>
TOTAL REVENUES	\$ 1,513,000	\$ 1,513,000	\$ 1,303,803	\$ (209,197)

SCHEDULE OF EXPENDITURES -- BUDGET AND ACTUAL
GENERAL FUNDS
TOWN OF BLYTHEWOOD, SOUTH CAROLINA
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Expenditures				
General fund				
Personnel	\$ 324,000	\$ 324,000	\$ 323,912	\$ 88
Purchased services	586,000	586,000	594,372	(8,372)
Supplies	16,000	16,000	42,961	(26,961)
Capital outlays	10,000	10,000	--	10,000
Debt service				
Principal	30,500	30,500	23,894	6,606
Interest	--	--	4,464	(4,464)
	<u>966,500</u>	<u>966,500</u>	<u>989,603</u>	<u>(23,103)</u>
State accommodation tax fund				
Purchased services	15,000	15,000	24,357	(9,357)
Capital outlays	69,000	69,000	31,511	37,489
	<u>84,000</u>	<u>84,000</u>	<u>55,868</u>	<u>28,132</u>
Local accommodation tax fund				
Purchased services	3,000	3,000	(1,071)	4,071
Supplies	12,000	12,000	--	12,000
Capital outlays	235,000	235,000	111,037	123,963
	<u>250,000</u>	<u>250,000</u>	<u>109,966</u>	<u>140,034</u>
Hospitality tax fund				
Purchased services	52,000	52,000	52,119	(119)
Capital outlays	250,000	250,000	239,502	10,498
	<u>302,000</u>	<u>302,000</u>	<u>291,621</u>	<u>10,379</u>
TOTAL EXPENDITURES	<u>1,602,500</u>	<u>1,602,500</u>	<u>1,447,058</u>	<u>155,442</u>
Deficiency of revenues over expenditures	<u>\$ (89,500)</u>	<u>\$ (89,500)</u>	<u>\$ (143,255)</u>	<u>53,755</u>
Other Financing source				
Transfers and fund balance allocations	<u>420,000</u>	<u>420,000</u>	<u>--</u>	<u>420,000</u>
Excess of revenues and other financing source over expenditures	<u>\$ 330,500</u>	<u>\$ 330,500</u>	<u>\$ (143,255)</u>	<u>\$ 473,755</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Town Council
of the Town of Blythewood, South Carolina

I have audited the financial statements of the governmental activities and each major fund which collectively comprise the basic financial statements, of the Town of Blythewood, South Carolina (the "Town") as of and for the year ended June 30, 2009, as listed in the table of contents, and have issued our report thereon dated October 9, 2009. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. The following deficiencies are considered by default under current auditing standards to be significant deficiencies in internal control over financial reporting. Accordingly they are reported by me here as significant deficiencies.

Internal Control Report

Fixed-Asset Ledgers

The Town does not maintained fixed-asset (property and equipment) ledgers which appropriately itemize the capital assets acquired and owned by the Town. Such ledgers, customarily itemize the acquisition date, cost or adjusted basis, description and identification model and/or serial numbers, depreciation expense and accumulated depreciation. Fixed-asset ledgers provide readily-available inventory and historical cost data for the assets that the Town owns along with provisions for depreciation (wear and tear) and accumulated depreciation which is used by many organizations as a gauge to fund reserves to replace these property and equipment assets over time.

The Town's contracted accountant recently began maintaining the fixed asset detail, however, the detail provided to the accountant is not accurate and the Town's management should consider taking a complete inventory of capital assets. Should the Town take an inventory, all appropriate detail as identified in the paragraph above should be included. However, we are obligated by recently adopted auditing standards to bring this condition to your attention. You are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as you consider necessary. Your response may very well entail acceptance and continuation of this condition as the best perceived alternative under the circumstances.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies describe above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not a objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Report

I also would like to communicate to you that there are no material uncorrected misstatements, individually or in aggregate, to the financial statements taken as a whole; the significant accounting policies are described in the notes to the financial statements; the financial statements include no significant accounting estimates other than those, if any, reflected in the financial statements; all audit adjustments proposed have been reviewed and accepted by management and have been reflected in the financial statements; I have no knowledge of management consulting with other independent auditors; and I encountered no difficulties in dealing with management in performing and completing my audit.

This communication is intended solely for the information and use of the Town's management and members of its town council and its funding agencies. It is not intended to be and should not be used by anyone other than these specified parties.

V. R. McConnell

October 9, 2009