

**South Carolina Association of  
Governmental Organizations**

*Report on Financial Statements*

*For the years ended June 30, 2021 and 2020*

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# South Carolina Association of Governmental Organizations

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## **Independent Auditor's Report**

Board of Directors  
South Carolina Association of Governmental Organizations  
Columbia, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of South Carolina Association of Governmental Organizations ("SCAGO") which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Association of Governmental Organizations as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Elliott Davis, LLC*

Columbia, South Carolina

February 2, 2022

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**South Carolina Association of Governmental Organizations****Statements of Financial Position****As of June 30, 2021 and 2020**

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	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 152,304	\$ 141,935
Certificates of deposit	65,097	64,934
Accounts receivable	27,279	29,059
Prepaid expenses	1,862	2,623
Interest receivable	22	28
	<u>\$ 246,564</u>	<u>\$ 238,579</u>
<b>Current liabilities</b>		
Accounts payable	\$ 110	\$ 6,820
Total current liabilities	<u>110</u>	<u>6,820</u>
<b>Net assets</b>		
Net assets without donor restrictions:		
Undesignated	246,454	231,759
	<u>\$ 246,564</u>	<u>\$ 238,579</u>

**See Notes to Financial Statements**

# South Carolina Association of Governmental Organizations

## Statements of Activities

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Net assets without donor restrictions</b>		
Support and revenue		
SC TAN Program	\$ 23,595	\$ 14,819
SC GO Debt Program	53,755	131,703
Interest income	392	1,053
Total support and revenue for net assets without donor restrictions	<u>77,742</u>	<u>147,575</u>
Expenses		
Program services	30,000	57,500
Management and general	33,047	73,008
Total expenses	<u>63,047</u>	<u>130,508</u>
Change in net assets without donor restrictions	14,695	17,067
<b>Net assets, beginning of year</b>	231,759	214,692
<b>Net assets, end of year</b>	<u><u>\$ 246,454</u></u>	<u><u>\$ 231,759</u></u>

See Notes to Financial Statements

# South Carolina Association of Governmental Organizations

## Statements of Functional Expenses

For the year ended June 30, 2021 and 2020

	2021		
	Program services	Management and general	Total
Professional fees	\$ -	\$ 27,911	\$ 27,911
Supplies	-	464	464
Miscellaneous	-	60	60
Travel	-	413	413
Sponsorships	30,000	-	30,000
Insurance	-	4,199	4,199
Total expenses	<u>\$ 30,000</u>	<u>\$ 33,047</u>	<u>\$ 63,047</u>

	2020		
	Program services	Management and general	Total
Advertising	\$ -	\$ -	\$ -
Professional fees	-	63,091	63,091
Supplies	-	664	664
Miscellaneous	-	135	135
Travel	-	4,275	4,275
Sponsorships	57,500	-	57,500
Insurance	-	4,843	4,843
Total expenses	<u>\$ 57,500</u>	<u>\$ 73,008</u>	<u>\$ 130,508</u>

See Notes to Financial Statements

## South Carolina Association of Governmental Organizations

### Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><i>Cash flows from operating activities</i></b>		
Change in net assets	\$ 14,695	\$ 17,067
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Changes in operating assets:		
Accounts receivable	1,780	-
Interest receivable	6	97
Prepaid Expenses	761	-
Accounts payable	(6,710)	6,820
Net cash provided by operating activities	<u>10,532</u>	<u>23,984</u>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from (reinvestment in) certificates of deposit	<u>(163)</u>	<u>(268)</u>
Net cash provided by investing activities	<u>(163)</u>	<u>(268)</u>
<b><i>Net increase in cash and cash equivalents</i></b>	10,369	23,716
<b><i>Cash and cash equivalents, beginning of year</i></b>	141,935	118,219
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ 152,304</u>	<u>\$ 141,935</u>

See Notes to Financial Statements



# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2021 and 2020

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### Note 1. Summary of Significant Accounting Policies

#### Organization:

South Carolina Association of Governmental Organizations ("SCAGO") is a non-profit organization, organized in 2002 and existing under the South Carolina Nonprofit Corporation Act, Chapter 31, Title 33 Code of Laws of South Carolina 1976, as amended. The management and control of SCAGO is vested in its Board which consists of eight members, three of whom are appointed by the South Carolina Association of School Business Officials ("SCASBO"), two of whom are appointed by the South Carolina Association of School Administrators ("SCASA"), and three of whom are at large. SCASA and SCASBO are sponsoring organizations of SCAGO.

SCAGO is organized exclusively for charitable, scientific, and educational purposes and for the promotion of the welfare of the people of the United States of America and the people of the State of South Carolina, by assisting school districts, municipalities and special purpose districts in the acquisition, operation, sale or leasing of property, by financing expenses, by making loans to/for such purposes or by acquiring obligations, and by making available funds for such purposes by selling and issuing its bonds, notes and other evidences of indebtedness, including, without limitation, lease-purchase agreements between SCAGO and one or more school districts and participation interests therein.

#### Net assets:

SCAGO's net assets are classified as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SCAGO. These net assets may be used at the discretion of the SCAGO's management and the board of directors.

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SCAGO or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. SCAGO has no net assets with donor restrictions as of June 30, 2021 and 2020.

#### Cash and cash equivalents:

For purposes of the statements of cash flows, SCAGO considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

#### Certificates of deposit:

Certificates of deposit purchased are recorded at cost. Certificates of deposit donated are recorded at their fair value at the date of the gift. Certificates of deposit are carried at fair value with appreciation being recognized and reported in the statement of activities.

# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2021 and 2020

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

#### Availability of funds for general expenditures:

SCAGO has certain net assets that are available for general expenditures within one year of June 30, 2021 and 2020 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

#### Contributions and support:

SCAGO recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. SCAGO received no significant contributions of materials or services for the years ended June 30, 2021 and 2020.

SCAGO's primary sources of revenue are from sponsorship of the South Carolina Tax Anticipation Note Program ("TAN Program") and the South Carolina General Obligation Debt Program ("GO Debt Program"). SCAGO recognizes such revenues upon satisfaction of its performance obligation. The performance obligation consists of facilitating the issuance of debt by South Carolina school districts and is recognized upon such issuance as services are simultaneously received and consumed by the participating school districts. Sponsorship fees are due at issuance of the debt and are non-refundable.

#### Income taxes:

SCAGO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for income taxes in the accompanying financial statements. In addition, SCAGO has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2021 and 2020

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Income taxes, continued:

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by SCAGO and recognize a tax liability (or asset) if SCAGO has taken an uncertain position that more likely than not would not be substantiated upon examination by the IRS. Management has analyzed the tax positions taken by SCAGO, and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. SCAGO is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Expenses of SCAGO include:

**Program services** - Program expenses represent expenses related to direct support of the mission of SCAGO.

**Management and general expenses** - Management and general expenses include the general, administrative, and operating costs of SCAGO.

The financial statements may report certain categories of expenses that are attributable to more than one program or supporting function. For the year ended June 30, 2021 and 2020, there were no categories that were attributable to more than one program or supporting function.

#### Adoption of new accounting standard:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. SCAGO adopted ASC 606 effective July 1, 2020. Analysis of various provisions of this standard resulted in no significant changes in the way SCAGO recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

#### Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 2, 2022, the date the financial statements were available for issue.

# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 2. Availability and Liquidity

Assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the statement of financial position are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Assets at year-end	\$ 246,564	\$ 238,579
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	<u>(1,862)</u>	<u>(2,623)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 244,702</u>	<u>\$ 235,956</u>

As part of its liquidity plan, SCAGO has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

### Note 3. Fair Value Measurements

Fair values for investments are determined by utilizing a three-tier fair value hierarchy, established by the FASB. The hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The carrying values of SCAGO's certificates of deposit are deemed to be a reasonable estimate of fair value and the resulting fair values are categorized as Level 2.

### Note 4. TAN Program

SCAGO established the TAN Program to facilitate the issuance of tax anticipation notes (Notes) by South Carolina school districts. The purpose of the program is to reduce the cost and improve the ease of issuing tax anticipation notes for school districts in South Carolina. SCAGO does not issue Notes. The Notes are general obligations of each participating school district that are secured by the full faith, credit and taxing authority of that school district. Each participating school district adopted a resolution which authorized the sale of its Notes through SCAGO and the use of the proceeds thereof. SCAGO facilitates the issuance of the Notes through certificates of participation (Certificates) that evidence undivided proportionate interests in the Notes of the participating school districts. The Certificates are in an amount necessary to purchase the principal amount of the Notes and to pay the issuance costs. Once the Notes are purchased with the proceeds of the Certificates, they are assigned to a trustee, pursuant to a Trust Agreement. Each participating school district records in its general ledger, its issuance of the Note and its portion of any premium, discount, issuance costs and other applicable costs. SCAGO is not obligated in any manner for repayment of the Notes. Accordingly, the Notes are not reported as liabilities in the accompanying statements of financial position.

In July 2020, seventeen South Carolina school districts participated in the eighteenth issuance of the TAN Program. Certificates were issued at a par value of \$100,550,000, plus a premium of approximately \$2,002,000 at an interest rate of 4.0%. The Certificates were repaid in April 2021.

## South Carolina Association of Governmental Organizations

### Notes to Financial Statements

June 30, 2021 and 2020

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#### Note 4. TAN Program, Continued

In July 2019, fourteen South Carolina school districts participated in the seventeenth issuance of the TAN Program. Certificates were issued at a par value of \$52,621,000, plus a premium of approximately \$1,342,000 at an interest rate of 5.0%. The Certificates were repaid in April 2020.

#### Note 5. SC Leasing Program

SCAGO established the SC Leasing Program to facilitate the issuance of leases or equipment acquisition agreements by South Carolina school districts. The purpose of the SC Leasing Program is to reduce the costs and improve the ease of entering into leases for school districts in South Carolina. Eligible project expenditures for the SC Leasing Program include energy savings, debt refinancing, computers and office equipment, and activity buses. SCAGO is not obligated in any manner for the repayment of the leases. Accordingly, the leases are not reported as liabilities in the accompanying statements of financial position.

There were no new transactions initiated in the SC Leasing Program during fiscal years 2021 and 2020.

As of June 30, 2021 and 2020, there no lease payments outstanding.

#### Note 6. GO Debt Program

SCAGO established the GO Debt Program to facilitate the issuance of general obligation debt ("GO debt") by South Carolina school districts in fiscal year 2007. The purpose of the program was to provide a way for school districts to use their GO debt margin for financing the purchase of equipment and other capital assets. The GO debt is the general obligation of each participating school district that is secured by the full faith, credit and taxing authority of that school district. This debt is also backed by the State of South Carolina's School District Credit Enhancement Program (the "Intercept Program"). Each participating school district adopts a resolution which authorizes the sale of its GO debt through the SCAGO GO Debt program and the use of the proceeds thereof. SCAGO facilitates the issuance of the GO debt through certificates of participation (Certificates) that evidence undivided proportionate interests in the GO debt of the participating school districts. The Certificates are in the amount of the principal amount of the GO debt and a portion thereof is used to pay the issuance costs. Upon delivery, the GO debt is assigned to a Trustee, pursuant to a Trust Agreement. The debt is general obligation debt, therefore, any project eligible for financing under South Carolina law may be financed through this program. SCAGO is not obligated in any manner for repayment of the GO debt. Accordingly, the GO debt is not reported as a liability in the accompanying statements of financial position.

In fiscal year 2021, thirty-two school districts participated in the GO Debt Program. Proceeds were used either to make capital improvements or to refinance debt. The issuances had a par value of \$9,741,000 to \$127,097,000 with interest rates of 2.0% to 3.0%.

In fiscal year 2020, forty-one school districts participated in the GO Debt Program. Proceeds were used either to make capital improvements or to refinance debt. The issuances had a par value of \$12,070,000 to \$121,420,000 with interest rates of 1.5% to 2.5%.

As of June 30, 2021 and 2020, there was one series of GO debt issues outstanding with aggregate principal amounts outstanding of \$64,062,000 and \$64,610,000, respectively.

# South Carolina Association of Governmental Organizations

## *Notes to Financial Statements*

*June 30, 2021 and 2020*

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### **Note 7. Sponsoring Organizations**

SCASA and SCASBO joined to form SCAGO for the purposes described in Note 1. As sponsoring organizations of SCAGO, each organization is entitled to SCAGO sponsorship at the SCASA and SCASBO conferences on a request basis. The cost of these sponsorships is paid by SCAGO from revenues received from its various programs. For SCAGO sponsorships, the sponsoring organizations agree to appoint representatives to the SCAGO Board and to work with SCAGO in several capacities in supporting and growing the TAN, SC Leasing, and GO Debt programs for the benefit of school districts in South Carolina. Sponsorships for SCASA and SCASBO totaled \$30,000 and \$57,500 for the years ended June 30, 2021 and 2020, respectively.

### **Note 8. Risks and Uncertainties**

SCAGO is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets and errors and omissions. SCAGO carries insurance against this risk of loss.

The 2019 novel coronavirus (“COVID-19”) has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact SCAGO’s funding, demand for the School’s services, and the U.S. economy. These conditions could adversely affect SCAGO’s business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of SCAGO’s operations or other businesses of SCAGO’s suppliers and funding agencies, which could significantly disrupt the School’s operations and the operations of SCAGO’s funding agencies. The extent of the adverse impact of the COVID-19 outbreak on SCAGO cannot be predicted at this time.

### **Note 9. Contingencies**

On April 6, 2020, SCAGO was added to a legal action filed by Berkeley County School District (“Berkeley”). There are also a number of other parties named in this lawsuit. This matter relates to actions of Berkeley’s former CFO, who was charged and plead guilty to embezzling money from Berkeley unrelated to SCAGO. However, this CFO was also formerly the chairman of SCAGO. The only cause of action in this lengthy complaint alleged against SCAGO is a claim for alleged negligence by SCAGO in summary by 1) not revealing supposed conflicts; 2) allegedly making representations to Berkeley regarding the financial benefits of Berkeley’s participation with SCAGO generally and specifically SCAGO’s TAN program; and 3) not disclosing certain SCAGO expenses to Berkeley. SCAGO adamantly denies Berkeley’s allegations and intends to vigorously defend its position that Berkeley’s participation in SCAGO was financially beneficial and saved Berkeley significant funds.