

**South Carolina Association of  
Governmental Organizations**

*Report on Financial Statements*

*For the years ended June 30, 2023 and 2022*

---

# South Carolina Association of Governmental Organizations

## Contents

---

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	6
<b>Notes to Financial Statements</b> .....	7-12

## Independent Auditor's Report

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

### Opinion

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, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCAGO as of June 30, 2023 and 2022, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCAGO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SCAGO's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## Auditor's Responsibilities for the Audit of the Financial Statements, Continued

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SCAGO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCAGO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Elliott Davis, LLC*

Columbia, South Carolina  
February 26, 2024

# South Carolina Association of Governmental Organizations

## Statements of Financial Position

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b><i>Current assets</i></b>		
Cash	\$ 330,103	\$ 180,321
Certificate of deposit	65,163	65,151
Accounts receivable	14,714	-
Prepaid expenses	2,128	1,986
Interest receivable	947	3
Total current assets	<u>\$ 413,055</u>	<u>\$ 247,461</u>
<b>Liabilities and Net Assets</b>		
<b><i>Current liabilities</i></b>		
Accounts payable	\$ -	\$ 1,303
Total current liabilities	<u>-</u>	<u>1,303</u>
<b><i>Net assets</i></b>		
Net assets without donor restrictions:		
Undesignated	413,055	246,158
Total liabilities and net assets	<u>\$ 413,055</u>	<u>\$ 247,461</u>

See Notes to Financial Statements

# South Carolina Association of Governmental Organizations

## Statements of Activities

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Net assets without donor restrictions</b>		
Support and revenue		
SC TAN Program	\$ 12,875	\$ 16,910
SC GO Debt Program	223,707	50,361
Interest income	1,807	132
Total support and revenue for net assets without donor restrictions	<u>238,389</u>	<u>67,403</u>
Expenses		
Program services	47,500	40,000
Management and general	23,992	27,699
Total expenses	<u>71,492</u>	<u>67,699</u>
Change in net assets without donor restrictions	166,897	(296)
<b>Net assets, beginning of year</b>	246,158	246,454
<b>Net assets, end of year</b>	<u>\$ 413,055</u>	<u>\$ 246,158</u>

See Notes to Financial Statements

# South Carolina Association of Governmental Organizations

## Statements of Functional Expenses

For the years ended June 30, 2023 and 2022

	2023		
	Program services	Management and general	Total
Sponsorships	\$ 47,500	\$ -	\$ 47,500
Professional fees	-	16,435	16,435
Insurance	-	3,787	3,787
Travel	-	3,058	3,058
Miscellaneous	-	712	712
Total expenses	<u>\$ 47,500</u>	<u>\$ 23,992</u>	<u>\$ 71,492</u>

  

	2022		
	Program services	Management and general	Total
Sponsorships	\$ 40,000	\$ -	\$ 40,000
Professional fees	-	20,480	20,480
Insurance	-	3,543	3,543
Supplies	-	2,973	2,973
Travel	-	583	583
Miscellaneous	-	120	120
Total expenses	<u>\$ 40,000</u>	<u>\$ 27,699</u>	<u>\$ 67,699</u>

See Notes to Financial Statements

## South Carolina Association of Governmental Organizations

### Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><i>Cash flows from operating activities</i></b>		
Change in net assets	\$ 166,897	\$ (296)
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Changes in operating assets:		
Accounts receivable	(14,714)	27,279
Interest receivable	(944)	19
Prepaid expenses	(142)	(124)
Accounts payable	(1,303)	1,193
Net cash provided by operating activities	<u>149,794</u>	<u>28,071</u>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from (reinvestment in) certificates of deposit	<u>(12)</u>	<u>(54)</u>
Net cash used for investing activities	<u>(12)</u>	<u>(54)</u>
<b><i>Net increase in cash</i></b>	149,782	28,017
<b><i>Cash, beginning of year</i></b>	180,321	152,304
<b><i>Cash, end of year</i></b>	<u>\$ 330,103</u>	<u>\$ 180,321</u>

See Notes to Financial Statements



# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2023 and 2022

---

### 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. There were no lease-purchase agreements between SCAGO and school districts at June 30, 2023 and 2022.

#### Financial statement presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting such that revenues are recorded as earned and expenses are recorded as the liabilities are incurred.

#### 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 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 had no net assets with donor restrictions as of June 30, 2023 and 2022.

#### Cash:

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. SCAGO had no cash equivalents as of June 30, 2023 and 2022. SCAGO places its cash and cash equivalents with high quality financial institutions. At times, deposits may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits.

# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2023 and 2022

---

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

#### Certificate 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.

#### Fair value measurements:

Fair values for investments are determined by utilizing a three-tier fair value hierarchy, established by the Financial Accounting Standards Board. 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 value of SCAGO's certificate of deposit is deemed to be a reasonable estimate of fair value and the resulting fair value is categorized as Level 2.

#### 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, 2023 and 2022 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.

# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2023 and 2022

---

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

#### Contributions and support, continued:

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.

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, 2023 and 2022, 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 years ended June 30, 2023 and 2022, there were no categories that were attributable to more than one program or supporting function.

#### Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 26, 2024, the date the financial statements were available for issue.

# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2023 and 2022

### 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>2023</u>	<u>2022</u>
Assets at year-end	\$ 413,055	\$ 247,461
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	<u>(2,128)</u>	<u>(1,986)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 410,927</u>	<u>\$ 245,475</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. 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 September 2022, nine South Carolina school districts participated in the twentieth issuance of the TAN Program. Certificates were issued at a par value of \$53,000,000, plus a premium of approximately \$236,380 at an interest rate of 5.0%. The Certificates were repaid in April 2023.

In July 2021, thirteen South Carolina school districts participated in the nineteenth issuance of the TAN Program. Certificates were issued at a par value of \$64,800,000, plus a premium of approximately \$1,011,000 at an interest rate of 3.0%. The Certificates were repaid in April 2022.

# South Carolina Association of Governmental Organizations

## Notes to Financial Statements

June 30, 2023 and 2022

---

### Note 4. 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 the years ended June 30, 2023 and 2022. As of June 30, 2023 and 2022, there were no lease payments outstanding.

### Note 5. 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 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 2023, thirty-nine 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 \$89,568,000 to \$167,029,000 with interest rates of 4.0% to 5.0%.

In fiscal year 2022, thirty-five 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 \$33,729,000 to \$156,504,000 with interest rates of 1.79% to 3.0%.

As of June 30, 2023 and 2022, there was one series of GO debt issues outstanding with aggregate principal amounts outstanding of \$89,568,000 and \$33,729,000, respectively.

### Note 6. 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.

# South Carolina Association of Governmental Organizations

## *Notes to Financial Statements*

*June 30, 2023 and 2022*

---

### **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 \$47,500 and \$40,000 for the years ended June 30, 2023 and 2022, respectively.

### **Note 8. 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. The outcome cannot be determined at this time.