

**SOUTH CAROLINA ASSOCIATION OF  
GOVERNMENTAL ORGANIZATIONS**

**REPORT ON FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2009 AND 2008**

***SOUTH CAROLINA ASSOCIATION OF GOVERNMENTAL ORGANIZATIONS***

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying statement of financial position of South Carolina Association of Governmental Organizations (SCAGO) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of SCAGO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of SCAGO for the year ended June 30, 2008 were audited by other auditors' whose report, dated July 25, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the results of activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Elliott Davis, LLC*

Columbia, South Carolina  
October 8, 2009

***SOUTH CAROLINA ASSOCIATION OF GOVERNMENTAL ORGANIZATIONS  
STATEMENTS OF FINANCIAL POSITION***

		JUNE 30,	
		2009	2008
<b><i>ASSETS</i></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 102,448	\$ 59,950
Investments		101,586	100,000
Receivables		993	11,162
Total assets		<b>\$ 205,027</b>	<b>\$ 171,112</b>
<b><i>NET ASSETS</i></b>			
<b>NET ASSETS</b>			
Unrestricted		\$ 205,027	\$ 171,112
Total net assets		<b>\$ 205,027</b>	<b>\$ 171,112</b>

See notes to financial statements which are an integral part of these statements.

***SOUTH CAROLINA ASSOCIATION OF GOVERNMENTAL ORGANIZATIONS  
STATEMENTS OF ACTIVITIES***

	For the years ended	
	June 30,	
	2009	2008
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues and other support		
SC TAN Program	\$ 37,500	\$ 47,063
SC Leasing Program	1,750	250
QZAB Program	-	6,357
SC GO Debt Program	19,000	22,148
IPRB Program	-	17,500
Interest income	3,421	92
Total revenues and other support	61,671	93,410
Expenses		
Operating expenses		
Administration	237	727
Supplies	1,351	-
Marketing	13,800	21,166
Professional service fees	7,088	74,494
Insurance	5,280	-
Total expenses	27,756	96,387
Change in net assets	33,915	(2,977)
<b>NET ASSETS, BEGINNING OF YEAR</b>	171,112	174,089
<b>NET ASSETS, END OF YEAR</b>	\$ 205,027	\$ 171,112

See notes to financial statements which are an integral part of these statements.

***SOUTH CAROLINA ASSOCIATION OF GOVERNMENTAL ORGANIZATIONS  
STATEMENTS OF CASH FLOWS***

	For the years ended	
	June 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 33,915	\$ (2,977)
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Interest earned on certificates of deposit	(1,586)	-
Changes in deferred and accrued amounts		
Receivables	10,169	48,790
Net cash provided by operating activities	42,498	45,813
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	-	(100,000)
Net cash used for investing activities	-	(100,000)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	42,498	(54,187)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	59,950	114,137
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 102,448	\$ 59,950

See notes to financial statements which are an integral part of these statements.

***SOUTH CAROLINA ASSOCIATION OF GOVERNMENTAL ORGANIZATIONS  
NOTES TO FINANCIAL STATEMENTS***

**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 seven 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 two 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, 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.

**Financial statement presentation**

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, SCAGO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

**Investments in securities**

SCAGO's investments in securities are stated at fair value in accordance with SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments held by SCAGO as of June 30, 2009 and 2008 consisted of certificates of deposit.

**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.

*(Continued)*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Contributions and support**

SCAGO has adopted the provisions of SFAS No. 116, Accounting for Contributions Received and Contributions Made. Under SFAS No. 116, contributions are required to be recognized when the donor makes a promise to give that, in substance, is unconditional. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restrictions. SCAGO received no contributions of materials or services for the years ended June 30, 2009 and 2008.

SCAGO's primary source of revenue is from sponsorship of the South Carolina Tax Anticipation Note Program (SC TAN), the South Carolina Leasing Program (SC Leasing Program) and the South Carolina General Obligation Debt Program (SC GO Debt Program).

**Income taxes**

SCAGO is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

**Statements of cash flows**

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.

**New accounting pronouncements**

Accounting standards that have been issued but not yet adopted by SCAGO are not expected to have a material effect on SCAGO's financial position, results of operations or cash flows.

**NOTE 2 - INVESTMENTS**

On July 1, 2008, SCAGO adopted the provisions of SFAS No. 157 for its financial assets and liabilities. Although having adopted SFAS No. 157 has had no material impact on financial position, results of activities or cash flows, SCAGO is now required to provide additional disclosures. SFAS No. 157 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SCAGO utilizes market data or assumptions that market participants would use in pricing the asset or liability. SFAS No. 157 establishes a three-tier fair value hierarchy, which 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. Prices for SCAGO's investments are readily available in the active markets in which those investments are traded, and the resulting fair values are categorized as Level 1.

Investments purchased are recorded at cost. Securities or other investments donated are recorded at their fair value at the date of the gift. Investments are carried at fair value with appreciation being recognized and reported in the statement of activities in the appropriate classes as prescribed by SFAS No. 117.

SCAGO's cost and fair value of investments are as follows at June 30:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit	<u>\$ 101,586</u>	<u>\$ 101,586</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

(Continued)

**NOTE 2 - INVESTMENTS, Continued**

The components of investment return are as follows for the years ended June 30:

	<u>2009</u>	<u>2008</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Interest income	<u>\$ 1,586</u>	<u>\$ -</u>

**NOTE 3 - THE SC TAN PROGRAM**

SCAGO established the "SC 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 to 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 any premium, discount, issuance costs and other applicable costs.

Seventeen school districts participated in the seventh issuance of South Carolina Tax Anticipation Notes in July, 2008. Certificates were issued at a par value of \$88,629,000 plus a premium of \$951,875 at an interest rate of 3.00%. The Certificates were repaid in April, 2009.

Seventeen school districts participated in the sixth issuance of South Carolina Tax Anticipation Notes in July, 2007. Certificates were issued at par value of \$93,411,000 plus a premium of \$350,291 at an interest rate of 4.25%. The Certificates were repaid in April, 2008.

**NOTE 4 - SC LEASING PROGRAM**

SCAGO has 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 cost 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.

In fiscal year 2009, three school districts participated in the SC Leasing Program. Proceeds were used to purchase capital assets. The lease amounts were \$443,248, \$2,342,000 and \$3,000,000, with interest rates of 3.99%, 4.63% and 3.81%, respectively.

In fiscal year 2008, two school districts participated in the SC Leasing Program. Proceeds were used to purchase capital assets. The lease amounts were \$308,914 and \$1,341,994 with interest rates of 6.05% and 4.00%, respectively.

#### **NOTE 5 - QZAB PROGRAM**

SCAGO has established a Qualified Zone Academy Bond (QZAB) Financing Program. The purpose of the program is to allow school districts to establish qualified zones which are individual schools that have free and reduced lunch student populations of at least 35%. Funds derived through the program are from the sale of bonds and can be used for school renovations and equipment purchases. The federal government grants tax credit on these bonds, thus enabling school districts to save substantially as compared to traditional borrowing.

In fiscal year 2009, there were no transactions.

In fiscal year 2008, two school districts participated in the QZAB Program through the issuance of Qualified Zone Academy Bonds. Proceeds were used to renovate and repair facilities and to purchase capital assets. The amounts ranged from \$464,863 to \$5,584,645.

#### **NOTE 6 - GO DEBT PROGRAM**

SCAGO established the SC 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 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 a general obligation debt, therefore, any project eligible for financing under South Carolina law may be financed through this program.

In fiscal year 2009, thirty-eight school districts participated in the SC GO Debt Program. Proceeds were used either to make capital improvements or to refinance debt. The issuances ranged from par value of \$10,230,000 to \$70,505,000, with interest rates ranging from 3.0% - 3.8%.

In fiscal year 2008, eighteen school districts participated in the SC GO Debt Program. Proceeds were used either to make capital improvements or to refinance debt. The issuances ranged from \$50,000 to \$15,475,000 with an interest rate of 4.00%.

#### **NOTE 7 - IPRB PROGRAM**

Beginning in 2005, SCAGO established an installment purchase revenue bond (IPRB) program pursuant to which SCAGO establishes nonprofit corporations to facilitate IPRB transactions.

During the 2006, 2007, and 2008 fiscal years, fourteen not-for-profit association educational facility corporations (“corporation”) were established. Each corporation was established for the purpose of undertaking certain obligations with respect to the acquisition or sale of real and/or personal property in connection with, and the design, construction, operation and financing of educational facilities to be used by specific school districts and such other projects located in and for the benefit of the specific school districts as may be permitted by applicable law. The initial member of each corporation is SCAGO and SCAGO Board of Directors has responsibility for appointing the members of each corporation’s Board of Directors, the majority of which initially consist of members from SCAGO Board of Directors. Each corporation is a separate legal entity.

During fiscal year 2007, SCAGO made the initial payments, on behalf of the corporations, for accounting services provided to the corporations. SCAGO initially planned on receiving reimbursement from the corporations in future years and created a receivable for the payments of \$59,952. For fiscal year 2008, SCAGO decided to not seek reimbursement for the payments. Therefore, SCAGO removed the receivable and expensed the amount in professional fees for fiscal year 2008.

In fiscal year 2009, the IPRB program was discontinued for school districts. There were no transactions for the year ended June 30, 2009.

#### **NOTE 8 - 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 SCAGO TAN, SC Leasing, and GO Debt programs for the benefit of school districts in South Carolina.

#### **NOTE 9 - RISK MANAGEMENT**

SCAGO is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets and errors and omissions. During the year ended June 30, 2009, SCAGO began carrying insurance against this risk of loss. At June 30, 2008, SCAGO was self-insured against this risk of loss.

#### **NOTE 10 - SUBSEQUENT EVENT**

In July 2009, twenty-eight South Carolina school districts participated in the eighth issuance of SC Tax Anticipation Notes. Certificates were issued at a par value of \$146,615,000, plus a premium of \$1,137,732 at an interest rate of 1.5%.

In September 2009, forty-four South Carolina school districts participated in the SC GO Debt Program. Proceeds were used either to make capital improvements or to refinance debt. The issuances ranged from par value of \$8,635,000 to \$80,340,000, with interest rates ranging from 1.5% to 2.4%.

Management has evaluated events occurring between the end of the Organization's most recent fiscal year and October 8, 2009, the date the financial statements were issued, and represent that no additional subsequent event exists that would require disclosure in these financial statements.