

**SOUTH CAROLINA ASSOCIATION OF
GOVERNMENTAL ORGANIZATIONS**

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**

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 statements of financial position of South Carolina Association of Governmental Organizations (SCAGO) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years 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 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 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 audits provide 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Elliott Davis LLC

Columbia, South Carolina
September 1, 2011

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

		JUNE 30,	
		2011	2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 96,865	\$ 99,024
Investments		103,713	103,389
Receivables		5,000	-
Interest receivable		-	75
Total assets		\$ 205,578	\$ 202,488
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 1,600	\$ -
Total current liabilities		1,600	-
NET ASSETS			
Unrestricted		203,978	202,488
Total net assets		203,978	202,488
Total liabilities and net assets		\$ 205,578	\$ 202,488

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,	
	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and other support		
SC TAN Program	\$ 40,000	\$ 40,000
SC GO Debt Program	24,048	26,058
Interest income	734	1,433
Total revenues and other support	64,782	67,491
Expenses		
Operating expenses		
Sponsorship	42,500	46,500
Administration	30	45
Travel	1,400	243
Professional service fees	14,552	17,962
Insurance	4,810	5,280
Total expenses	63,292	70,030
Change in net assets	1,490	(2,539)
NET ASSETS, BEGINNING OF YEAR	202,488	205,027
NET ASSETS, END OF YEAR	\$ 203,978	\$ 202,488

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,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,490	\$ (2,539)
Adjustments to reconcile the change in net assets to net cash used for operating activities		
Changes in deferred and accrued amounts		
Receivables	(5,000)	-
Interest receivable	75	918
Accounts payable	1,600	-
Net cash used for operating activities	(1,835)	(1,621)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificate of deposits	(207,320)	(309,208)
Maturities of certificate of deposits	206,996	307,405
Net cash used for investing activities	(324)	(1,803)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,159)	(3,424)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,024	102,448
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 96,865	\$ 99,024

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 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 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.

Financial statement presentation

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.

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.

Investments

Investments held by SCAGO as of June 30, 2011 and 2010 consisted of certificates of deposit with original maturities greater than three months.

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

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, 2011 and 2010.

SCAGO's primary source of revenue is from sponsorship of the South Carolina Tax Anticipation Note Program (SC TAN 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.

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, 2011, 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. Management believes it is no longer subject to income tax examinations for the years prior to 2007.

Subsequent events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 1, 2011, the date the financial statements were available for issue.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - INVESTMENTS

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 values of SCAGO's investments are deemed to be a reasonable estimate of fair value and the resulting fair values are categorized as Level 2.

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.

(Continued)

NOTE 2 - INVESTMENTS, Continued

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

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit	<u>\$ 103,713</u>	<u>\$ 103,713</u>	<u>\$ 103,389</u>	<u>\$ 103,389</u>

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

	<u>2011</u>	<u>2010</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Interest income from investments	<u>\$ 249</u>	<u>\$ 885</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 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 financial statements.

Thirty-seven South Carolina school districts participated in the ninth issuance of SC TAN Program in July 2010. Certificates were issued at a par value of \$179,734,000, plus a premium of \$2,261,054 at an interest rate of 2.0%. The certificates were repaid in April 2011.

Twenty-eight South Carolina school districts participated in the eighth issuance of SC TAN Program in July 2009. 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%. The certificates were repaid in April 2010.

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. SCAGO is not obligated in any manner for the repayment of the leases. Accordingly, the leases are not reported as liabilities in the accompanying financial statements.

(Continued)

NOTE 4 - SC LEASING PROGRAM, Continued

There were no transactions in the SC Leasing Program during fiscal years 2011 and 2010.

As of June 30, 2011 and 2010, there were seven and six leases, respectively, outstanding with aggregate lease payments outstanding of \$4,072,842 and \$5,650,804, respectively.

NOTE 5 - 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. 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 financial statements.

In fiscal year 2011, thirty-two 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 \$1,745,000 to \$74,935,000, with interest rates ranging from 0.75% - 3.0%.

In fiscal year 2010, thirty 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% - 2.4%.

As of June 30, 2011 and 2010, there were six and four series of GO debt issues, respectively, outstanding with aggregate principal amounts outstanding of \$15,075,000 and \$7,795,000, respectively.

NOTE 6 - 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 SC TAN, SC Leasing, and GO Debt programs for the benefit of school districts in South Carolina. Sponsorships for SCASA and SCASBO totaled \$20,000 each, for the year ending June 30, 2011. Sponsorships for SCASA and SCASBO totaled \$20,000 and \$24,000, respectively, for the year ending June 30, 2010.

NOTE 7 - 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.

NOTE 8 - SUBSEQUENT EVENT

In July 2011, thirty-one South Carolina school districts participated in the tenth issuance of SC TAN Program. Certificates were issued at a par value of \$137,875,000, plus a premium of \$1,286,374 at an interest rate of 1.5%.