

**South Carolina Association of
Governmental Organizations**

Report on Financial Statements

For the years ended June 30, 2017 and 2016

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, 2017 and 2016, the related statements of activities 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, 2017 and 2016, 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.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

Columbia, South Carolina
November 1, 2017

South Carolina Association of Governmental Organizations

Statements of Financial Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 111,905	\$ 100,544
Investments	104,272	104,206
Prepaid expenses	2,734	2,734
Interest receivable	9	17
Total assets	<u>\$ 218,920</u>	<u>\$ 207,501</u>
Net assets		
Unrestricted	218,920	207,501
Total net assets	<u>\$ 218,920</u>	<u>\$ 207,501</u>

See Notes to Financial Statements

South Carolina Association of Governmental Organizations
Statements of Activities
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets		
Revenues and other support		
SC TAN Program	\$ 40,186	\$ 40,886
SC GO Debt Program	43,000	33,524
Interest income	185	193
Total revenues and other support	<u>83,371</u>	<u>74,603</u>
Expenses		
Sponsorship	57,500	72,000
Administration	255	245
Conferences	1,500	2,004
Professional service fees	7,650	9,670
Insurance	5,047	4,874
Total expenses	<u>71,952</u>	<u>88,793</u>
Change in net assets	11,419	(14,190)
Net assets, beginning of year	207,501	221,691
Net assets, end of year	<u>\$ 218,920</u>	<u>\$ 207,501</u>

See Notes to Financial Statements

South Carolina Association of Governmental Organizations

Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ 11,419	\$ (14,190)
Adjustments to reconcile the change in net assets to net cash provided by (used for) operating activities		
Changes in deferred and accrued amounts		
Receivables	-	7,500
Prepaid expenses	-	(173)
Interest receivable	8	(17)
Net cash provided by (used for) operating activities	<u>11,427</u>	<u>(6,880)</u>
<i>Cash flows from investing activities</i>		
Purchases of certificates of deposit	<u>(66)</u>	<u>(69)</u>
Net cash used for investing activities	<u>(66)</u>	<u>(69)</u>
<i>Net change in cash and cash equivalents</i>	11,361	(6,949)
<i>Cash and cash equivalents, beginning of year</i>	100,544	107,493
<i>Cash and cash equivalents, end of year</i>	<u>\$ 111,905</u>	<u>\$ 100,544</u>

See Notes to Financial Statements

South Carolina Association of Governmental Organizations

Notes to Financial Statements

June 30, 2017 and 2016

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. The Organization has no temporarily restricted or permanently restricted net assets.

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, 2017 and 2016 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.

South Carolina Association of Governmental Organizations

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016.

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

Income taxes:

SCAGO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for 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, 2017 and 2016, 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.

Recently issued accounting pronouncements:

In August 2016, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for SCAGO for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. SCAGO is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization's financial statements.

Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 1, 2017, the date the financial statements were available for issue.

South Carolina Association of Governmental Organizations

Notes to Financial Statements

June 30, 2017 and 2016

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.

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

	2017		2016	
	Cost	Fair value	Cost	Fair value
Certificates of deposit	\$ 104,272	\$ 104,272	\$ 104,206	\$ 104,206

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.

In fiscal year 2017, twenty South Carolina school districts participated in the fifteenth issuance of the SC TAN Program. Certificates were issued at a par value of \$83,406,000, plus a premium of approximately \$842,000 at an interest rate of 2.0%. The certificates were repaid in April 2017.

In fiscal year 2016, twenty-six South Carolina school districts participated in the fourteenth issuance of the SC TAN Program. Certificates were issued at a par value of \$116,635,000, plus a premium of approximately \$1,042,000 at an interest rate of 1.5%. The certificates were repaid in April 2016.

South Carolina Association of Governmental Organizations

Notes to Financial Statements

June 30, 2017 and 2016

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 financial statements.

There were no new transactions initiated in the SC Leasing Program during fiscal years 2017 and 2016.

As of June 30, 2017 and 2016, there was one lease with aggregate lease payments outstanding of \$292,964 and \$586,336, respectively.

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 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 financial statements.

In fiscal year 2017, eighty-nine school districts participated in the GO Debt Program. Proceeds were used either to make capital improvements or to refinance debt. The issuances ranged from a par value of \$27,424,000 to \$151,728,000 with interest rates ranging from 1.50% to 3.00%.

In fiscal year 2016, sixty-eight school districts participated in the GO Debt Program. Proceeds were used either to make capital improvements or to refinance debt. The issuances ranged from a par value of \$13,638,000 to \$144,600,000 with interest rates ranging from 0.60% to 3.00%.

As of June 30, 2017 and 2016, there were three series of GO debt issues outstanding with aggregate principal amounts outstanding of \$76,795,000 and \$68,775,000, respectively.

South Carolina Association of Governmental Organizations

Notes to Financial Statements

June 30, 2017 and 2016

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 \$57,500 and \$72,000 for the years ended June 30, 2017 and 2016, respectively.

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. SCAGO carries insurance against this risk of loss.