Independent Auditor’s Report on
Financial Statements of the

South Carolina Universal Service Fund

for the years ended December 31, 2016 and 2015
Contents

Independent Auditor’s Report ................................................................. 1-2

Required Supplementary Information - Management’s Discussion and Analysis .................. 3-7

Basic Financial Statements:
  Statements of Net Position/Governmental Fund Balance Sheets ........................................ 8
  Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statements of Activities .......................................................... 9

Notes to Financial Statements ........................................................................... 10-13

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards ........................................ 14-15
Independent Auditor’s Report

South Carolina Office of Regulatory Staff
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the South Carolina Universal Service Fund (the “Fund”) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements as listed in the table of contents.

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 opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Fund’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 Fund’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 opinions.
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Fund, as of December 31, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express opinions or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2017, on our consideration of the Fund’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund’s internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
September 20, 2017
Required Supplementary Information
South Carolina Universal Service Fund
Management’s Discussion and Analysis

Management’s Discussion and Analysis ("MD&A") is prepared by the South Carolina Office of Regulatory Staff (the "SCORS") management to provide general information on the financial activities of the South Carolina Universal Service Fund ("Fund"). The MD&A should be read in conjunction with the Fund’s financial statements and accompanying notes. The financial statements, notes, and this discussion are the responsibility of ORS’s management.

The SCORS is an independent regulatory agency of the State of South Carolina that is responsible for representing the public interest in the regulation of public utilities, including electric, natural gas and telephone. The SCORS receives its authority and responsibilities from the State Legislature. One of the SCORS’s responsibilities is to administer the Fund. The Fund was established to ensure the widespread availability of affordable local exchange telephone service.

This section of the Fund’s financial report represents our discussion and analysis of the financial performance during the period presented.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund is a special revenue fund, which is a governmental fund that uses the flow of current financial resources and the modified accrual basis of accounting. The financial statements provide a detailed short-term view of the Fund’s finances and assist in determining whether there will be adequate resources available to meet the current needs of the Fund. The Fund’s financial statements include two statements:

- The Balance Sheet/Statement of Net Position presents only assets expected to be used and liabilities that come due during the year or soon thereafter. The difference between assets and liabilities is reported as fund balance.

- The Statement of Revenues, Expenditures, and Changes in Net Position/Statement of Activities presents a comparison of revenues for which cash is received during or soon after the end of the year; expenditures for which payment is due during the year or soon thereafter; and other financing sources and uses. The net of the categories increases or decreases the fund balance.

This annual report consists of two parts – management’s discussion and analysis and the basic financial statements. The basic financial statements also include notes that explain key information contained in the financial statements and provide further details on select data.

FINANCIAL HIGHLIGHTS

On September 27, 2016 in Order No. 2016-680, the Public Service Commission of South Carolina adopted the following recommendations of the ORS: (1) The Fund will operate on a calendar year from January to December; (2) The 2016 Fund Year was extended by one month, ending in December 2016; and (3) The amounts to be disbursed to each Carrier of Last Resort (COLR) in conformance with S.C. Acts. No. 181 were adopted. The Fund had a net balance at December 31, 2016 of zero dollars.
ECONOMIC FACTORS/OUTLOOK

- On January 26, 2016, PSC Order No. 2016-22 determined that wireless voice telecommunications service competes with local voice telecommunications services and required wireless telecommunications carriers to contribute to the Fund.
- All litigation has now been dismissed given the passage of Act 181, the “State Telecom Equity in Funding Act” which became effective May 25, 2016.
- Act 181 modifies the USF fund by merging Interim Local Exchange Carrier Fund (ILF) into the Fund and caps the Fund at the combined support levels. The Fund continues to reimburse COLRs at $3.50 per month per lifeline customer served and continues to permit administration costs, including the annual independent audit.
- On June 27, 2016, ORS filed a petition with the PSC to approve the implementation of Order 2016-22 and Act 181 effective January 1, 2017. The petition also sought approval to modify the fund year from December through November to a calendar year. The PSC approved ORS’s petition in Order No. 2016-680 and adopted revised USF guidelines in Order No. 2016-756 on October 19, 2016.
- Beginning January 1, 2017, the Fund receives contributions from wireless and prepaid wireless telecommunication companies.
- The ILF ceased to exist as a separate fund effective January 1, 2017.
- The 2017 USF is sized at $41,557,860.
- Assessable revenues reported during Fund Year 2016 did not significantly change from the prior year.
- There is “churn” and consolidation in the telecommunications industry with various companies entering and exiting the market. Some companies that were contributing to the Fund have effectively removed themselves from the market.
- The SC General Assembly passed the Consumer Choice and Technology Act (Act 7) in May 2009. This legislation allows electing telecommunications carriers to opt out of PSC regulation (S.C. Code Ann. § 58-9-576(C)). BellSouth Telecommunications, LLC d/b/a AT&T South Carolina elected to operate under Act 7 in October 2009, and AT&T no longer receives stand-alone residential line support.
- Due to the reduction in AT&T support from the Fund, certain amounts on the Fund’s financial statements were impacted and created large variances as compared to the prior year. The overpayments/credits payable line item decreased from $783,290 in 2014 to $179,667 in 2015 due to amortization of revenue collected to support AT&T that was not distributed in 2014. The revenue billed to contributors and cash on hand in 2015 was reduced accordingly.
- The overpayments/credits payable balance of $174,049 will be credited back to the telecommunication companies that contributed to Fund Year 2016 as of July 1, 2017.
South Carolina Universal Service Fund  
Statements of Net Position/Governmental Fund Balance Sheets  
as of December 31,  

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,353,191</td>
<td>$2,309,704</td>
<td>$3,101,100</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>322,010</td>
<td>234,989</td>
<td>81,036</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,675,201</td>
<td>2,544,693</td>
<td>3,182,136</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions payable</td>
<td>2,484,386</td>
<td>2,348,934</td>
<td>2,373,334</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>12,497</td>
<td>138</td>
<td>321</td>
</tr>
<tr>
<td>Overpayments/credits payable</td>
<td>174,049</td>
<td>179,667</td>
<td>783,290</td>
</tr>
<tr>
<td>Due to state agencies</td>
<td>4,269</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,675,201</td>
<td>2,528,739</td>
<td>3,156,945</td>
</tr>
<tr>
<td>Net Position (Unrestricted)/</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balance (assigned)</td>
<td>-</td>
<td>15,954</td>
<td>25,191</td>
</tr>
<tr>
<td>Total net position/fund balance</td>
<td>-</td>
<td>15,954</td>
<td>25,191</td>
</tr>
<tr>
<td>Total liabilities and net position/fund balance</td>
<td>$2,675,201</td>
<td>$2,544,693</td>
<td>$3,182,136</td>
</tr>
</tbody>
</table>
South Carolina Universal Service Fund
Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statements of Activities
for the year ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures/expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunication service providers</td>
<td>$28,109,521</td>
<td>$28,449,129</td>
<td>$28,899,698</td>
</tr>
<tr>
<td>General and administrative</td>
<td>155,166</td>
<td>161,367</td>
<td>220,631</td>
</tr>
<tr>
<td>Total expenditures/expenses</td>
<td>28,264,687</td>
<td>28,610,496</td>
<td>29,120,329</td>
</tr>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>28,248,733</td>
<td>28,599,113</td>
<td>28,815,366</td>
</tr>
<tr>
<td>Late payment assessments</td>
<td>-</td>
<td>2,146</td>
<td>2,946</td>
</tr>
<tr>
<td>Total program revenues</td>
<td>28,248,733</td>
<td>28,601,259</td>
<td>28,818,312</td>
</tr>
<tr>
<td>Excess of expenses over revenues</td>
<td>(15,954)</td>
<td>(9,237)</td>
<td>(302,017)</td>
</tr>
<tr>
<td>Net position/fund balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of the year</td>
<td>15,954</td>
<td>25,191</td>
<td>327,208</td>
</tr>
<tr>
<td>End of the year</td>
<td>$</td>
<td>$15,954</td>
<td>$25,191</td>
</tr>
</tbody>
</table>
REQUEST FOR INFORMATION

The primary purpose of this financial report is to provide a general overview of the Fund’s finances and to demonstrate the Fund’s accountability for the money it receives and spends. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Office of Regulatory Staff
Attn: Finance Director
1401 Main Street, Suite 900
Columbia, SC 29201
Financial Statements
South Carolina Universal Service Fund  
Statements of Net Position / Governmental Fund Balance Sheets  
as of December 31,

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<td><strong>2,675,201</strong></td>
<td><strong>2,528,739</strong></td>
</tr>
</tbody>
</table>

**Net Position (Unrestricted)/**

| Fund balance (assigned) | - | 15,954 |

| **Total net position/fund balance** | - | 15,954 |

| **Total liabilities and net position/fund balance** | **$2,675,201** | **$2,544,693** |

*The accompanying notes are an integral part of these financial statements.*
South Carolina Universal Service Fund
Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statements of Activities
for the year ended December 31,

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<td>(15,954)</td>
<td>(9,237)</td>
</tr>
</tbody>
</table>

Net position/fund balance
Beginning of the year
End of the year

$15,954 $25,191

*The accompanying notes are an integral part of these financial statements.*
Note 1. Summary of Significant Accounting Policies

General and Basis of Accounting – On October 10, 2001, the Public Service Commission of South Carolina ("PSC") issued Order No. 2001-996 at Docket No. 97-239-C which approved the final guidelines for the establishment of the South Carolina Universal Service Fund (the "Fund"). The Fund was established to provide both universally available basic local exchange telephone service at affordable rates and to assist with the alignment of prices and/or cost recovery.

The Fund is funded by an assessment on all telecommunications service providers, that provide intrastate and interstate telecommunications services in the State of South Carolina (the "State") and is paid, via a monthly remittance advice, to the South Carolina Office of Regulatory Staff ("SCORS"). Support disbursements from the Fund are made monthly to eligible telecommunication service providers.

The Fund’s financial statements have been prepared in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board ("GASB"), for the period presented. The Fund’s financial statement presentation follows the guidelines of GASB No. 34, as amended, which establishes standards for financial reporting for state and local governments. The Fund is a special revenue fund of the State. These statements present the financial position and results of operations of only the activity of the Fund and are not intended to present the financial activity for the State.

The Fund is accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay obligations of the current period.

On a full accrual basis, revenues are recorded when earned and expenses are recorded when a liability in incurred, regardless of the timing of related cash flows.

For the purposes of the Fund, there are no reconciling items between the fund financial statements and the presentation on an government-wide basis. Accordingly, the financial statements have been presented in a combined format as permitted under GASB No. 34.

The Fund has adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement established criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement required the Fund to classify and report amounts in the appropriate fund balance classifications. The Fund’s accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of non-spendable, restricted, committed, assigned, or unassigned. Unrestricted net position consists of all other assets and liabilities that do not meet the definition of restricted or net investment in capital assets. Fund balances are classified as follows:

10
Note 1. Summary of Significant Accounting Policies (continued)

*Non-spendable* includes fund balance amounts that cannot be spent either because they are not in a spendable form, such as inventory or prepaid insurance, or because they are legally or contractually required to be maintained intact—such as a trust.

*Restricted* includes fund balance amounts that can be spent only for specific purposes because of ordinances, state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed* includes fund balance amounts constrained to specific purposes by the Fund itself, using the highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Fund takes the same highest-level action, the Public Service Commission South Carolina, to remove or change the constraint.

*Assigned* includes fund balance amounts the Fund intends to use for a specific purpose that are neither considered restricted or committed and that such assignments are made before the report issuance date. Intent can be expressed by an official or body to which the Fund delegates the authority. The Public Service Commission South Carolina is the only party that has rights to make assignments for the Fund at this time.

*Unassigned* includes fund balance amounts not included in other spendable classifications.

The Fund permits funds to be expended in the following order: restricted, committed, assigned, and unassigned.

Net Position—The Fund presents the following classifications of net position in the “Statement of Net Position” in accordance with GASAB 63.

*Net Investment in Capital Assets*—Consists of capital assets, including restricted capital assets, net of accumulate depreciation and amortization, and, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Fund does not have any capital assets, thus they have no net investment in capital assets at year-end December 31, 2016 and 2015.

*Restricted net position*—Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. The Fund does not have any assets with constraints, thus they have no restricted net position at year-end December 31, 2016 and 2015.

*Unrestricted net position*—All other assets that do not meet the definition of “restricted” or “invested in capital assets net of related debt”.

*Cash and Cash Equivalents*—Cash and cash equivalents represent cash on deposit and invested in various instruments by the State Treasurer as part of the South Carolina Local Government Investment Pool (the “Pool”). Because the Pool operates as a demand deposit account, amounts invested in the Pool are classified as cash and cash equivalents.
Note 1. Summary of Significant Accounting Policies (continued)

Accounts Receivable – Receivables are payments due under normal terms requiring payment by the 30th of the month. Any accounts not paid by the 30th of the month are assessed a late payment charge of .0493% per day. Late payment charges are recorded as late payment assessments. Late payments assessed for the years ended December 31, 2016 and 2015, were $0 and $2,146, respectively.

Allowance for Doubtful Accounts – An allowance for doubtful accounts is recorded and reduces the carrying value of accounts receivable to their net realizable value. The amount of the allowance is based upon management’s estimate of currently uncollectible accounts, historical trends, current economic trends, and other factors. The allowance for doubtful accounts was $0 as of each of the years ended December 31, 2016 and 2015. In addition, the Fund recognized bad debt expense of $0 for the year ended December 31, 2016 and a recovery of $4,697 for the year ended December 31, 2015.

Accounting Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and affect disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates. The Fund’s most significant estimate is the allowance for doubtful accounts.

Revenue Recognition – Telecommunications companies doing business in the State are required to pay to the Fund a fixed monthly amount as determined in accordance with Fund guidelines. For the major fund, it is the Fund’s policy to record revenue when the revenue is both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenue to be available if collected within 60 days of the end of the current fiscal period.

For the government-wide financial statements, the full accrual basis of accounting is used, and the Fund recognized revenue when earned and expenses when incurred, regardless of when cash is received or paid. For the Fund, there is no difference between the major fund and the government-wide statements.

Note 2. Deposits Held by State Treasurer

The deposits of the Fund held by the State Treasurer are under the control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all State Treasurer balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State’s internal cash management pool, all of the State Treasurer’s investments are insured or registered or are investments for which the securities are held by the State or its agent in the State’s name. The State’s investment policy by law authorizes investments that vary by fund, but generally include obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper.
Note 2. Deposits Held by State Treasurer (continued)

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer’s investments are fully insured or collateralized.

Information pertaining to carrying amounts, fair value, credit and other risks as required by GASB No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools” and GASB No. 40, “Deposits and Investments – Risk Disclosures”, of the State Treasurer’s investments are disclosed in the Comprehensive Annual Financial Report of the State and can be obtained from www.usa.sc.gov.

Deposits held by the State Treasurer are $2,353,191 and $2,309,704 at December 31, 2016 and 2015, respectively.

Note 3. Assessments

Identified carriers that are operating in the State provide assessments to the Fund. The SCORS searches publicly available resources to identify carriers operating in the State that are not providing assessments to the Fund. The carriers are assessed based upon the weighted average of their total revenues compared to the total revenues of all telecommunication companies operating in the State. The total assessments for the years ended December 31, 2016 and 2015 were $28,248,733 and $28,599,113, respectively.

Note 4. Amounts Paid and Due to Telecommunication Service Providers

Payments to the qualified recipients are made by the State Treasurer’s office as directed by the SCORS. The qualified recipients receive payments in order to neutralize the revenue deficits created by mandated decreases in access charges in addition to high cost support as determined by the PSC. For the years ended December 31, 2016 and 2015, the Fund determined that $28,109,521 and $28,449,129, respectively, in support payments were due to service providers.

Note 5. Related Parties

The Fund is administered by the SCORS as set forth by the State of South Carolina Act 175 of 2004. For the years ended December 31, 2016 and 2015, the SCORS incurred expenditures/expenses related to administration of the Fund and Lifeline/Linkup outreach in the amounts of $131,165 and $148,064, respectively. A payable of $4,269 was recorded to the SCORS related to expenditures as of December 31, 2016. These amounts are included in general and administrative expenditures/expenses in the accompanying Statements of Revenues, Expenditures and Changes in Fund Balance/Statements of Activities.

Note 6. Commitments and Contingencies

The Fund has also received notice of claims from telecommunication companies that have filed for bankruptcy protection in various jurisdictions. To date, SCORS has not filed proofs of claim in these bankruptcy cases.

Note 7. Subsequent Events

Beginning January 1, 2017, the Fund will begin receiving contributions from wireless and prepaid wireless telecommunication companies, which is expected to increase revenues of the Fund to approximately $41.6 million.
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

South Carolina Office of Regulatory Staff
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the South Carolina Universal Service Fund (the "Fund"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated August XX, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company, LLC

Columbia, South Carolina
September 20, 2017