

**South Carolina Universal Service Fund**

Financial Statements and  
Independent Auditor's Report

December 31, 2024 and 2023

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## Contents

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	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
Required Supplementary Information - Management’s Discussion and Analysis .....	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statements of Net Position/Governmental Fund Balance Sheets.....	10
Statements of Governmental Activities/Governmental Fund Revenues, Expenditures and Changes in Net Position/Fund Balance.....	11
Notes to Financial Statements.....	12
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 <i>Government Auditing Standards</i> .....	18



## **Independent Auditor's Report**

South Carolina Office of Regulatory Staff  
Columbia, South Carolina

### **Report on the Audit of the Financial Statements**

#### **Opinions**

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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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, 2024 and 2023, 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.

#### **Basis for Opinions**

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. 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 the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management 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.

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 the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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 opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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.

In performing an audit in accordance with generally accepted auditing standards and standards and *Government Auditing Standards*, 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 the Fund'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 the Fund'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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit 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 an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2025, 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  
August 13, 2025

## Required Supplementary Information

## **South Carolina Universal Service Fund Management's Discussion and Analysis**

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Management's Discussion and Analysis ("MD&A") is prepared by the South Carolina Office of Regulatory Staff (the "ORS") 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' management.

The ORS 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 ORS receives its authority and responsibilities from the State Legislature. One of the ORS' 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. It should be read in conjunction with the Fund's financial statements, which follow this section.

### **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 Statements of Net Position/Governmental Fund Balance Sheets 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 net position/fund balance.
- The Statements of Governmental Activities/Governmental Fund Revenues, Expenditures and Changes in Net Position/Fund Balance 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 net position/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.

## South Carolina Universal Service Fund Management's Discussion and Analysis

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### 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, 2024 of \$241,387, and at December 31, 2023 of \$817,237.

### CURRENTLY KNOWN FACTS

- 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.
- 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 was 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 2015 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.
- Due to the above, the Fund began receiving contributions from wireless and prepaid wireless telecommunication companies starting January 1, 2017. Beginning January 1, 2018, the Fund receives contributions from Voice over Internet Protocol ("VoIP") companies, as required in Order No. 2016-837.
- The ILF ceased to exist as a separate fund effective January 1, 2017.
- The 2023 and 2024 USF were sized at \$41,211,192 and \$41,346,040, respectively.
- 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)).
- The accounts receivable balance at year end was \$1,534,256 and \$938,737, for 2023 and 2024, respectively. The decrease is primarily due to the normal variation in collection experience.



**South Carolina Universal Service Fund  
Management's Discussion and Analysis**

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- The deferred revenue balance at year end was \$925 and \$143,961, for 2023 and 2024, respectively. The increase is primarily due to several contributor's submitting 2024 prepaid wireless filings (and associated payments) after the period the revenue is considered available in the current year.
- On June 26, 2019, PSC Order No. 2019-479 granted ORS' request to combine the USF and Lifeline Administrative Expenditures into one General USF Administrative Expense Account, now funded at \$319,741.
- Telecommunication providers make monthly payments into the USF fund each year based on annual billings calculated by the Administrator. The billings are determined using provider reported retail revenues as a percent of total and applying that ratio to the USF funds needed. In January 2023, four affiliated participants informed the Administrator that they had inadvertently overstated their 2021 revenues used in determining their 2023 contributions causing their 2023 contributions to be higher than they should be. Commission orders provide for under or over payments among providers to be trued up in any following year or years. The estimated overpayment for the four participants for the full year 2023 was \$3.2 million. The estimated overpayment was offset by equal underpayment by the remaining Fund contributors. As a result of our review, it was determined that one of the four providers could not be reimbursed via the Fund's annual resize process. Due to this situation, the provider was allowed to no longer pay monthly contributions for the final seven months of the year. On November 13, 2023, the PSC issued Order No. 2023-128-H at Docket No. 2023-301-C and 197-239-C which approved the waiver and amendment of the revised guidelines for the administrator and participants of the Fund and granted permission to reimburse the participant for the \$310,210 they paid into the Fund in 2023. The reimbursement was issued in full in December 2024. The remaining overpayment balance for the other three providers at December 31, 2024 was \$1,380,658 and will be trued up in years following 2024 in accordance with Commission orders.

**South Carolina Universal Service Fund  
Management's Discussion and Analysis**

**South Carolina Universal Service Fund**  
Statements of Net Position/Governmental Fund Balance Sheets  
as of December 31,

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	<u><b>2024</b></u>	<u><b>2023</b></u>
Assets		
Cash and cash equivalents	\$ 3,380,812	\$ 3,247,754
Accounts receivable, net	<u>938,737</u>	<u>1,534,256</u>
Total assets	<u><u>\$ 4,319,549</u></u>	<u><u>\$ 4,782,010</u></u>
Liabilities		
Distributions payable	\$ 4,400,949	\$ 5,274,447
Revenue reimbursement payable	-	310,210
Accounts payable	16,026	13,665
Unearned revenue	<u>143,961</u>	<u>925</u>
Total liabilities	<u><u>4,560,936</u></u>	<u><u>5,599,247</u></u>
Net position (restricted)/		
fund balance (assigned)	<u>(241,387)</u>	<u>(817,237)</u>
Total net position/fund balance	<u><u>(241,387)</u></u>	<u><u>(817,237)</u></u>
 Total liabilities and net position/fund balance	 <u><u>\$ 4,319,549</u></u>	 <u><u>\$ 4,782,010</u></u>

**South Carolina Universal Service Fund  
Management's Discussion and Analysis**

**South Carolina Universal Service Fund**

Statements of Governmental Activities/Governmental Fund Revenues, Expenditures and  
Changes in Fund Balance  
for the years ended December 31,

	<b><u>2024</u></b>	<b><u>2023</u></b>
Program revenues:		
Contributions	\$ 41,716,289	\$ 40,323,215
Late fee assessments	5,543	1,498
Total program revenues	<u>41,721,832</u>	<u>40,324,713</u>
Expenditures/expenses:		
Telecommunication service providers	40,822,625	40,822,415
General and administrative	323,357	319,535
Total expenditures/expenses	<u>41,145,982</u>	<u>41,141,950</u>
Net change in net position / fund balance	<u>575,850</u>	<u>(817,237)</u>
Net position/fund balance		
Beginning of the year	<u>(817,237)</u>	<u>-</u>
End of the year	<u>\$ (241,387)</u>	<u>\$ (817,237)</u>

**South Carolina Universal Service Fund  
Management's Discussion and Analysis**

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**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  
1901 Main Street, Suite 1500  
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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	<b><u>2024</u></b>	<b><u>2023</u></b>
Assets		
Cash and cash equivalents	\$ 3,380,812	\$ 3,247,754
Accounts receivable, net	<u>938,737</u>	<u>1,534,256</u>
Total assets	<u><u>\$ 4,319,549</u></u>	<u><u>\$ 4,782,010</u></u>
Liabilities		
Distributions payable	\$ 4,400,949	\$ 5,274,447
Revenue reimbursement payable	-	310,210
Accounts payable	16,026	13,665
Unearned revenue	<u>143,961</u>	<u>925</u>
Total liabilities	<u><u>4,560,936</u></u>	<u><u>5,599,247</u></u>
Net position (restricted)/ fund balance (assigned)	<u>(241,387)</u>	<u>(817,237)</u>
Total net position/fund balance	<u><u>(241,387)</u></u>	<u><u>(817,237)</u></u>
Total liabilities and net position/fund balance	<u><u>\$ 4,319,549</u></u>	<u><u>\$ 4,782,010</u></u>

*The accompanying notes are an integral part of these financial statements.*

**South Carolina Universal Service Fund**  
**Statements of Governmental Activities/Governmental Fund Revenues, Expenditures**  
**and Changes in Net Position/Fund Balance**  
**for the years ended December 31,**

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	<b><u>2024</u></b>	<b><u>2023</u></b>
Program revenues:		
Contributions	\$ 41,716,289	\$ 40,323,215
Late fee assessments	5,543	1,498
Total program revenues	<u>41,721,832</u>	<u>40,324,713</u>
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Total expenditures/expenses	<u>41,145,982</u>	<u>41,141,950</u>
 <b>Net change in net position</b>	 <u>575,850</u>	 <u>(817,237)</u>
Net position/fund balance		
Beginning of the year	<u>(817,237)</u>	<u>-</u>
End of the year	<u>\$ (241,387)</u>	<u>\$ (817,237)</u>

*The accompanying notes are an integral part of these financial statements.*

## South Carolina Universal Service Fund

### Notes to Financial Statements

December 31, 2024 and 2023

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#### **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. On September 27, 2016 in Order No. 2016-680, the Public Service Commission of South Carolina adopted the recommendations of the ORS for the Fund to operate on a calendar year from January to December.

The Fund is funded by an assessment on all telecommunications, voice over internet provider (“VoIP”), wireless and prepaid service providers, that provide intrastate and interstate telecommunications services in the State of South Carolina (the “State”) and is paid, via a monthly remittance advices and via South Carolina Tax Form ST-406 filings to the South Carolina Department of Revenue and to South Carolina Office of Regulatory Staff (“ORS”). 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 is 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 a government-wide basis. Accordingly, the financial statements have been presented in a combined format as permitted under GASB No. 34.



## South Carolina Universal Service Fund

### Notes to Financial Statements

December 31, 2024 and 2023

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Classifications of fund balance 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. The Fund is required 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:

*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 of 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 of 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”.

## South Carolina Universal Service Fund

### Notes to Financial Statements

December 31, 2024 and 2023

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*Net Investment in Capital Assets* – Consists of capital assets, including restricted capital assets, net of accumulated 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, 2024 and 2023.

*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 have assets with constraints; thus, they have restricted net position at year-end December 31, 2024 and 2023.

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

Of the categories listed above, the Fund only has restricted net position and assigned fund balance.

**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.

**Accounts Receivable** – ORS issues invoices on the first business day of each month. Payment is due on the 1<sup>st</sup> of the following month. Accounts with invoices not paid by the 30<sup>th</sup> of the month payment is due are assessed a late payment charge of 0.0493% per day.

The South Carolina Department of Revenue (“DOR”) issued invoices monthly to companies that are not regulated by the PSC. Payment is due in 30 days. Accounts with invoices not paid by the 30<sup>th</sup> day are charged a late payment fee of 0.5% of the invoice amount per month or fraction of a month the payment is late.

Retailers that have prepaid wireless sales transactions are required to submit a ST-406 filing along with payment to the DOR by 20<sup>th</sup> day of the second month following the period covered. Retailers that fail to file by the due date are charged 5% of the taxes due for each month or fraction of a month, the return is late. Retailers that fail

## South Carolina Universal Service Fund

### Notes to Financial Statements

December 31, 2024 and 2023

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to pay are charged .5% of the taxes due for each month or fraction of a month, the payment is late.

**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 \$34,526 and \$30,731 as of the years ended December 31, 2024 and 2023. In addition, the Fund recognized bad debt expense of \$3,795 and bad debt recovery of \$1 for the years ended December 31, 2024 and 2023, respectively.

**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.

**Unearned revenue** – The amount represents unearned revenues as they are amounts that the Fund owes back to the telephone companies. The unearned amount will be deducted from the amount that will be assessed against contributors for the next fiscal year.

**Revenue Recognition** – Telecommunications, VoIP, wireless providers, and prepaid wireless sellers doing business in the State are required to pay to the Fund in accordance with Fund guidelines. 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.

## **South Carolina Universal Service Fund**

### **Notes to Financial Statements**

December 31, 2024 and 2023

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#### **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.

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 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](http://www.usa.sc.gov).

Deposits held by the State Treasurer are \$3,380,812 and \$3,247,754 at December 31, 2024 and 2023, respectively.

#### **Note 3. Assessments and Contributions:**

Identified carriers that are operating in the State provide assessments to the Fund. The ORS 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.

Additionally, companies that sell prepaid wireless products contribute to the Fund monthly based on number of retail transactions.

The total contributions revenue for the years ended December 31, 2024 and 2023 were \$41,716,289 and \$40,323,215, respectively.

## **South Carolina Universal Service Fund**

### **Notes to Financial Statements**

**December 31, 2024 and 2023**

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#### **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 ORS. 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, 2024 and 2023, the Fund had \$40,822,625 and \$40,822,415, respectively, in support expenditures to service providers.

#### **Note 5. Related Parties:**

The Fund is administered by the ORS as set forth by the State of South Carolina Act 175 of 2004. For the years ended December 31, 2024 and 2023, the ORS incurred expenditures/expenses related to administration of the Fund and Lifeline/Linkup outreach in the amounts of \$307,762 and \$308,036, respectively. These amounts are included in general and administrative expenditures/expenses in the accompanying Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statements of Activities.

#### **Note 6. Subsequent Events:**

The Fund has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2024, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 13, 2025, the date these financial statements were available to be issued, and there were no subsequent events that required disclosure in these financial statements.

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, 2024, 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 13, 2025.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 or significant deficiencies may exist that have not been identified.

#### **Report on 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.



Columbia, South Carolina  
August 13, 2025