

An Audit

Universal Service Fund

Public Service Commission

2005-2006 Joint Legislative Audit Committee Members

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CONTENTS

Letter of Transmittal	1
Universal Service Fund Programs	3
Fund Finances	3
Public Service Commission Programs	5
Educational Telecommunications Access Program	7
Department of Public Instruction Programs	10
Audit Opinion	13
Independent Auditor's Report on the Financial Statements of the State of Wisconsin Universal Service Fund	
Management's Discussion and Analysis	15
Financial Statements	21
Balance Sheet as of June 30, 2005 and 2004	22
Statement of Revenues, Expenditures, and Changes in Fund Balance for the Years Ended June 30, 2005 and 2004	23
Notes to the Financial Statements	25
Supplementary Information	33
Schedule 1 - Budgetary Comparison Schedule for the Years Ended June 30, 2005 and 2004	34
Schedule 2 - Budgetary—GAAP Reporting Reconciliation as of June 30, 2005 and 2004	35
Report on Internal Control and Compliance	37
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	
Appendix	
Universal Service Fund Programs	



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Janice Mueller
State Auditor

May 17, 2006

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

As requested by the Public Service Commission (PSC), we have completed a financial audit of the Universal Service Fund, which was established to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. It is funded primarily through assessments on telecommunications providers, which totaled \$28.3 million in fiscal year (FY) 2004-05. Our audit report contains our unqualified opinion on the Universal Service Fund's financial statements for the fiscal years ending June 30, 2004 and 2005.

The largest program supported by the Universal Service Fund is the Educational Telecommunications Access Program, which is administered by the Department of Administration. This program subsidizes data lines and video links to eligible educational institutions. In FY 2004-05, expenditures for these activities totaled \$16.8 million, or 60.3 percent of the Universal Service Fund's total expenditures and transfers. In January 2006, the conversion to a new statewide data and video network began for program participants, as well as for the State and other public-sector users. The conversion to the new network is expected to be completed in August 2006.

Eight of the 13 programs supported by the Universal Service Fund are operated by the PSC. The Legislature limited the amount the PSC could assess telecommunications providers for the PSC-operated programs to \$5.0 million in FY 2003-04 and \$6.0 million in FY 2004-05 and thereafter. However, increasing expenditures are now presenting budgetary challenges for these programs. In response, the PSC reduced benefits and deferred decisions about certain payment requests to subsequent fiscal years. Based on expenditure projections, the PSC believes it can limit expenditures to its spending authority during FY 2005-06. However, if the growth in program demand and expenditures continues, the Legislature may be asked to reconsider the statutory limits on the PSC's annual assessment levels or to eliminate some programs.

We appreciate the courtesy and cooperation extended to us by staff at the PSC; the departments of Administration and Public Instruction; and the Universal Service Fund's administrator, Wipfli LLP.

Respectfully submitted,

Handwritten signature of Janice Mueller.

Janice Mueller
State Auditor

JM/DA/ss

Universal Service Fund Programs ■

The Universal Service Fund was established under 1993 Wisconsin Act 496 to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. The fund supports telecommunications services and access programs that are provided by several state agencies, including the Public Service Commission (PSC), the Department of Administration (DOA), the University of Wisconsin System, and the Department of Public Instruction (DPI).

The PSC is responsible for developing the overall policies and procedures related to the Universal Service Fund but is directed by statute to contract with a private firm to administer the Fund. At the request of the PSC, we completed a financial audit of the Universal Service Fund to fulfill audit requirements under s. 196.218(2)(d), Wis. Stats. As part of our financial audit, we reviewed controls over telecommunications provider assessments and expenditures of the programs financed through the Fund, and we assessed the fair presentation of the Fund's financial statements for fiscal year (FY) 2004-05 and FY 2003-04.

Fund Finances

The Universal Service Fund is funded primarily through assessments paid by telecommunications providers, which totaled \$28.3 million in FY 2004-05. It also received \$149,000 in interest income. More than \$27.9 million was expended or transferred

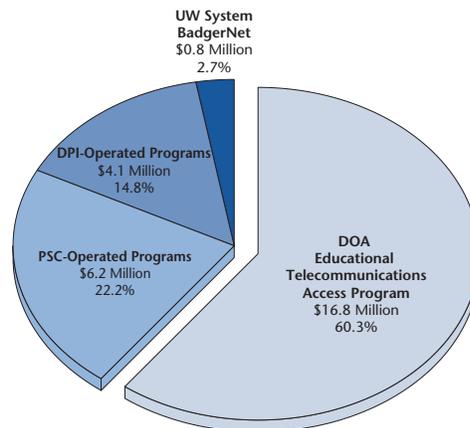
4 ■ ■ ■ ■ UNIVERSAL SERVICE FUND PROGRAMS

during FY 2004-05 for 13 programs supported by the Fund. The Fund's balance at June 30, 2005, increased to \$6.9 million as a result of the \$0.5 million by which revenues exceeded expenditures and transfers.

Eight of the 13 programs currently supported by the Universal Service Fund are operated by the PSC, with expenditures totaling \$6.2 million in FY 2004-05. However the largest program, the Educational Telecommunications Access Program, is operated by DOA. This program subsidizes data lines and video links to eligible educational institutions. As shown in Figure 1, its expenditures of \$16.8 million represented 60.3 percent of the Fund's total expenditures and transfers in FY 2004-05.

Figure 1

Universal Service Fund Expenditures and Transfers¹ FY 2004-05



¹ Expenditures and transfers totaled \$27.9 million in FY 2004-05.

During FY 2004-05, the Universal Service Fund also provided \$4.1 million for three programs administered by DPI, and it paid almost \$800,000 to the University of Wisconsin System to provide four campuses access to voice, data, and video services through BadgerNet, the State's voice, data, and video telecommunications infrastructure. Descriptions, expenditures, and budget information for each of the 13 programs currently supported by the Fund are provided in the appendix.

Public Service Commission Programs

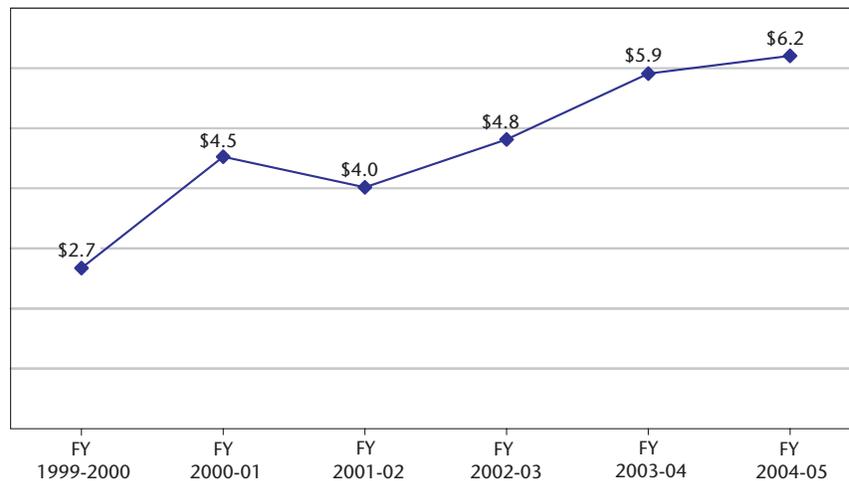
The PSC was authorized by 1993 Wisconsin Act 496 to promulgate, by administrative rule, universal telecommunications service programs to be funded from the Universal Service Fund. The PSC was also authorized to appoint a Universal Service Fund Council to advise it on the creation and implementation of these PSC programs. The Council consists of representatives of telecommunications providers and consumers. Statutes require that a majority of its members be representatives of telecommunications consumers.

Expenditures for the PSC-operated programs have increased 130 percent over the last five years.

In May 1996, the PSC first promulgated rules that formally established the programs it operates. As we reported in prior audit reports, the PSC-operated programs were not fully developed, and expenditures were significantly less than amounts budgeted for the first several years. In 2000, several new programs were added or expanded and the PSC began increasing the promotion of its programs. As a result, expenditures for the PSC-operated programs increased from \$2.7 million in FY 1999-2000 to \$4.5 million in FY 2000-01. As shown in Figure 2, expenditures have steadily increased since FY 2001-02 to \$6.2 million in FY 2004-05.

Figure 2

Expenditures¹ for PSC-Operated Programs (In Millions)



¹ Expenditures reported in the financial statements.

Annual assessments to support PSC-operated programs are currently capped at \$6.0 million.

The Legislature, in 2001 Wisconsin Act 16, limited the amount that telecommunications providers could be assessed to support the PSC-operated programs to \$5.0 million in FY 2003-04 and \$6.0 million in FY 2004-05 and thereafter. In addition, corresponding appropriation expenditure levels were established for the 2003-05 biennium.

The growth in expenditures and the limit on assessments have resulted in budgetary challenges for the PSC-operated programs. Because it did not have sufficient spending authority to cover all requests for payment, the PSC deferred decisions to pay on more than \$544,000 in FY 2003-04 payment requests until FY 2004-05, and more than \$740,000 in FY 2004-05 payment requests until FY 2005-06. The deferred payment decisions were related to the Link-Up America and Lifeline programs. Because administrative code permits but does not require the PSC to reimburse telecommunications providers for waiving telephone connection charges or reducing monthly telephone rates to lower-income individuals, the PSC believes it has authority to not pay or to defer consideration of payment requests for these two programs if constrained by budgetary limits.

In response to its funding shortfall, the PSC postponed payment decisions for certain programs and reduced benefits.

Based on expenditure trends in FY 2003-04, the PSC anticipated early in FY 2004-05 that spending authority would be insufficient to cover expected requests for payments that year. Working with the Universal Service Fund Council, the PSC took several steps to reduce costs, including limiting the equipment authorized for purchase by participants in the Telecommunications Equipment Purchase program and reducing hard-of-hearing benefits in that program from \$200 to \$125 per participant as of September 1, 2004. These changes contributed to a 57.5 percent decrease in program costs, which averaged \$351,000 per month during the first three months of FY 2004-05, compared to \$149,000 for the last nine months of that fiscal year.

The PSC also took steps to reduce costs in the Medical Telecommunications Equipment Program and the Access Program or Project by Nonprofit Groups. In order to cover costs in other PSC-operated programs, the PSC did not fund the Medical Telecommunications Equipment program in FY 2004-05, and it does not plan to fund the Access Program or Project by Nonprofit Groups in FY 2005-06. PSC staff note that they also have reduced their promotion efforts in response to the increasing number of participants in many programs.

Finally, the PSC is in the process of drafting changes to Wisconsin Administrative Code that would require telecommunications providers to submit payment requests under the Lifeline, Link-Up

America, and High Rate Assistance Credit programs by April 1 of the following fiscal year. Such a change would help limit unexpected costs related to prior years, such as occurred in FY 2003-04 when a telecommunications company requested almost \$402,000 in payments from the Lifeline and High Rate Assistance Credit programs for services provided in the two preceding fiscal years.

2005 Wisconsin Act 25 established annual appropriations of \$6.0 million for PSC-operated programs during the 2005-07 biennium, which is the same level of spending authority budgeted for FY 2004-05. Based upon projections for FY 2005-06, the PSC believes it can limit expenditures to its spending authority, barring unexpected changes in demand for programs. The limits established in the Telecommunications Equipment Purchase Program were continued in FY 2005-06, and the PSC remains flexible in the level of funding it makes available for the Medical Telecommunications Equipment and Access Program or Project by Nonprofit Groups programs.

The PSC may not be able to quickly limit future costs without affecting program services.

Beyond the steps it is already taking, the PSC's ability to respond quickly to future cost increases without significantly affecting its Universal Service Fund programs may be limited. For example, costs in the Telecommunications Equipment Purchase Program cannot be reduced quickly because applicants have 120 days to redeem vouchers. Furthermore, reductions in the Lifeline program could potentially result in the loss of federal funds to participating telecommunications providers. Consequently, regular monitoring of future expenditure trends for the PSC-operated programs will be important. If growth in program demand and expenditures continues, the Legislature may be asked to reconsider the statutory limits on the PSC's annual assessment levels or to eliminate some programs.

Educational Telecommunications Access Program

The Educational Telecommunications Access Program provides subsidized access to new data lines for direct Internet access, as well as two-way interactive video links that also allow participants to view and respond to instructional presentations from off-site locations. Eligible entities—which include public and private K-12 schools; private, tribal, and state technical colleges; public libraries; correctional facilities; the Wisconsin School for the Deaf and the Wisconsin Center for the Blind and Visually Impaired; and public museums—are charged a maximum of either \$100 or \$250 per month, depending on the speed of their Internet data line or video link.

The program pays for equipment, for installation costs of the data lines and video links, and for ongoing service costs in excess of the monthly charges paid by the eligible institutions. The data line and video link services are provided by telecommunications providers in the Wisconsin BadgerNet Access Alliance, which is a consortium of telecommunications companies under contract with DOA. In 1998, DOA signed three contracts with the BadgerNet Access Alliance, one each for voice, data, and video services, that are part of the statewide network known as BadgerNet. The Educational Telecommunications Access Program’s video link and data line costs were financed through the State’s master lease program.

Almost \$91.0 million has been expended for the Educational Telecommunications Access Program through FY 2004-05.

As shown in Table 1, \$16.8 million in Universal Service Fund funds were spent on the Educational Telecommunications Access Program in FY 2004-05, which is an increase of \$4.2 million, or approximately 32.8 percent, from FY 2003-04. The increase in expenditures is largely related to \$2.9 million in prepayments made in FY 2004-05 to pay the remaining balance of the program’s master lease obligation, and \$1.5 million paid for initial steps to convert to a new network in 2006.

Table 1

Educational Telecommunications Access Program Expenditures
FY 1998-99 through FY 2004-05

Period	Expenditures
FY 1998-99	\$12,232,143
FY 1999-2000	8,750,186
FY 2000-01	10,480,498
FY 2001-02	11,704,793
FY 2002-03	18,014,975
FY 2003-04	12,686,709
FY 2004-05	16,846,105
Total	\$90,715,409

In addition to subsidizing new data lines and video links, the Educational Telecommunications Access Program also provided grants for data lines and video links that were in existence on or before October 14, 1997. The program’s existing contract grants

component was originally scheduled to sunset June 30, 2002, but it was extended through December 31, 2005. As the existing contract grant component was phased out at the end of 2005, participating entities were eligible to receive data or video services through the State at a cost of \$100 or \$250 per month.

During FY 2004-05, the Educational Telecommunications Access Program provided subsidies for 268 video links and 583 data lines, as well as grants for 51 video links that were in existence as of October 14, 1997.

A Wisconsin Education Network Collaboration Committee was formed to address the expiration of the BadgerNet contracts for video and data services in 2005. This committee assessed current and future educational technology needs and evaluated the State's options. It concluded that extending the current contract would not meet Wisconsin's educational and training needs, and it recommended procuring a network that would better meet the needs of educational, governmental, and business entities. The Wisconsin Collaborative Network Initiative Committee, which consisted of representatives of state agencies, educational institutions, libraries, and local governments, led the development of specifications for a new distance education network to meet the needs identified by the Collaboration Committee.

The State entered into a new \$116.7 million five-year contract for video and data services that began in January 2006.

After completing a procurement process in 2005, DOA selected the same Wisconsin BadgerNet Access Alliance as its vendor for the new network. In March 2005, DOA entered into a \$116.7 million five-year agreement for data and video services for the State of Wisconsin and other public-sector users that began January 1, 2006. The new statewide network, which is known as the BadgerNet Converged Network, is designed to provide higher data capability and video access on the same network. Voice services for state government may also be added in the future. DOA estimates the conversion process is approximately 50 percent completed as of April 2006 and should be fully completed by August 2006.

2005 Wisconsin Act 25 establishes spending authority of \$17.3 million for the Educational Telecommunication Access Program for each year of the 2005-07 biennium. DOA staff expect that all of the proposed spending authority for the 2005-07 biennium will be used to cover the expanded capacity costs of the BadgerNet Converged Network.

In addition to funding from the Universal Service Fund, federal funding is also available for telecommunications access services through the federal E-rate program. The E-rate program consists of discounts applied to telecommunications services such as basic and

long-distance telephone services, Internet access, and equipment to provide internal telecommunications connections. As a purchaser of telecommunications services, DOA applies for and receives federal E-rate funds on behalf of school districts and libraries with video links and data lines provided through the Educational Telecommunications Access Program.

As directed by the Legislature, the E-rate funding received by the State was used during the 2003-05 biennium to offset the GPR-funded debt service costs associated with the Infrastructure Financial Assistance Program. That program provided grants and loans to school districts and libraries to upgrade data and electrical wiring needed for high-speed data transmission through FY 2002-03. DOA received \$5.8 million in E-rate funds during 2003-04 and \$5.7 million in FY 2004-05, which were used for the GPR-funded wiring loan costs in those years.

Department of Public Instruction Programs

During FY 2004-05, the Universal Service Fund funded three programs administered by DPI, providing:

- \$2.1 million in aids to the State's public library systems;
- \$1.9 million for the BadgerLink program, which provides statewide on-line access to reference databases of magazines and newspapers; and
- \$67,500 for a contract with the National Federation of the Blind for Newline, an electronic information program that allows sight-impaired individuals to listen to newspapers read over the telephone.

Expenditures for these three programs totaled \$4.1 million and accounted for 14.8 percent of the Universal Service Fund's FY 2004-05 program expenditures and transfers.

The Universal Service Fund began providing aid to public library systems in FY 2003-04.

Until FY 2003-04, GPR funded state aid to public library systems. 2003 Wisconsin Act 33 shifted \$2.1 million of the public library aid payments to the Universal Service Fund for each year of the 2003-05 biennium. These payments represented 14.8 percent of the \$14.2 million in state aid payments to public library systems in FY 2004-05. 2005 Wisconsin Act 25 further reduced GPR funding for library systems by \$2.2 million and increased funding from the Universal Service Fund by another \$4.2 million over the 2005-07 biennium. Under Act 25, the Universal Service Fund will fund 28.3 percent of state aid to public library systems in FY 2005-06, and 27.2 percent in FY 2006-07.

In report 05-14, we noted that funding provided for the Newslines program exceeded expenditures in seven of the eight years since the program's inception in FY 1997-98, which resulted in a cumulative unspent balance of \$164,938 as of June 30, 2005. DPI had not informed the PSC that Newslines funds were not being fully spent, and the PSC was not monitoring or requiring any reporting of expenditure levels for the program.

The PSC and DPI have established a process for funding the Newslines program.

In light of the accumulated balance in the Newslines program, the PSC has not budgeted any funding for the program in FY 2005-06 or FY 2006-07. Further, based upon our recommendation, the PSC and DPI signed a Memorandum of Understanding in February 2006 to establish a budgeting process for future funding of the program.

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Audit Opinion ■

Independent Auditor's Report on the Financial Statements of the State of Wisconsin Universal Service Fund

We have audited the accompanying financial statements of the Universal Service Fund of the State of Wisconsin as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the Universal Service Fund. 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 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 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.

As discussed in Note 2A, the financial statements referred to in the first paragraph present only the Universal Service Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Universal Service Fund as of June 30, 2005 and 2004, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Universal Service Fund. The supplementary information included as Management's Discussion and Analysis on pages 15 through 19 and as Schedules 1 and 2 on pages 34 and 35 is presented for purposes of additional analysis and is not a required part of the financial statements referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2006, on our consideration of the Universal Service Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

May 8, 2006

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director

Management's Discussion and Analysis ■

Prepared by Public Service Commission Management

Management's Discussion and Analysis (MD&A) is prepared by Public Service Commission management to provide general information on the financial activities of the Universal Service Fund. The MD&A should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of PSC management.

The PSC is an independent regulatory agency of the State of Wisconsin that is responsible for the regulation of public utilities, including electric, natural gas, telephone, water, and combined water and sewer facilities. The PSC receives its authority and responsibilities from the State Legislature. One of the PSC's responsibilities is to administer the Universal Service Fund. The Fund was established to further the goal of providing both basic essential telecommunications services and access to advanced service capabilities to utility customers in Wisconsin.

Overview of the Financial Statements

The Universal Service Fund is accounted for as 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 that assists in determining whether there will be adequate resources available to meet the current needs of the Fund. The Fund financial statements include two statements:

- The Balance Sheet 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 the fund balance.
- The Statement of Revenues, Expenditures, and Changes in 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, such as transfers for the Newslite program. The net of these categories increases or decreases the fund balance.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Noteworthy Financial Activity

Condensed financial statements for the fiscal years ended June 30, 2005 and 2004, are shown in the following table.

Universal Service Fund Condensed Financial Information

	FY 2004-05	FY 2003-04	Dollar Change	Percentage Change
Total Assets	\$11,926,142	\$8,674,031	\$3,252,111	37%
Total Liabilities	4,988,339	2,262,169	2,726,170	121
Fund Balance	6,937,803	6,411,862	525,941	8
Total Revenues	28,463,276	25,638,450	2,824,826	11
Total Expenditures	27,869,835	23,354,368	4,515,467	19
Excess of Revenues over Expenditures	593,441	2,284,082	(1,690,641)	-74
Transfers for the Newslite Program	67,500	67,500	0	0
Excess of Revenues over Expenditures and Transfers for the Newslite Program	\$ 525,941	\$2,216,582	\$(1,690,641)	-76

The Fund's total revenues of \$28.5 million consist primarily of billed revenue plus interest income. Billed revenue is what the PSC assesses telecommunications providers as required by statute and administrative rule. Providers are assessed over a 12-month period based on budget appropriations. Over 78 percent of total revenues is intended for four programs the PSC does not manage: the Educational Telecommunications Access Program, which is managed by the Department of Administration; library aids and BadgerLink, which are managed by the Department of Public Instruction; and the University of Wisconsin BadgerNet Access. The remaining 22 percent of total revenues is used to support PSC-operated programs, which include the Telecommunications Equipment Purchase Program (TEPP), Lifeline, Link-Up America, the High Rate Assistance Credit program, the Medical Telecommunications Equipment program, the Access Program or Project by Nonprofit Groups, the Public Interest Pay Telephone program, and the Two-Line Voice Carryover program.

DOA assessments for the Educational Telecommunications Access Program increased by over \$740,000, or 4 percent, and DPI assessments increased by almost \$59,000. Assessments for PSC-operated programs totaled almost \$6.0 million and were 50 percent more than in FY 2003-04. This increase was primarily due to two factors. First, 2001 Wisconsin Act 16 limited assessments for PSC-operated programs to \$5.0 million for FY 2003-04, whereas assessments for these programs were limited to \$6.0 million for FY 2004-05. Second, the PSC was able to assess \$1.0 million less than appropriation spending authority in FY 2003-04 because of the available fund balance that had accumulated from prior years. The increase in total assets can be partially attributed to the increase of assessments in FY 2004-05. Corresponding with the increase in assessments, assessments receivable from telecommunications companies increased \$317,000, or 20 percent, in FY 2004-05.

The amount reported as excess of revenues over expenditures decreased by \$1.7 million, from \$2.3 million to \$0.6 million, because the increase in expenditures outpaced the increase in revenues. This resulted in an 8 percent increase of the fund balance, compared to a 53 percent increase in FY 2003-04.

The increase in expenditures is largely attributed to the Educational Telecommunications Access Program, which reported \$16.8 million in expenditures in FY 2004-05, compared to \$12.7 million in FY 2003-04. The \$4.1 million increase occurred primarily because \$2.9 million was prepaid to the State's master lease program in FY 2004-05, which had helped finance the costs of video and data links provided under the program. Similar prepayments were not made in FY 2003-04. In addition, \$1.5 million was paid in FY 2004-05 as initial steps for the conversion to the new BadgerNet Converged Network. The increase in total liabilities and total assets can also be largely attributed to the fact that the actual cash transfer for prepayments made to the State's master lease program was not made until FY 2005-06.

The trend of increasing expenditures that began in FY 2002-03 for PSC-operated programs has continued for FY 2004-05. While the PSC was aware that 2001 Wisconsin Act 16 limited assessments for FY 2004-05 to \$6.0 million, it had limited ability to slow certain program participation rates. In addition, in FY 2003-04 the

PSC had deferred decisions on payment requests totaling more than \$544,000 until FY 2004-05, when additional spending authority became available. Actions the PSC took to stay within the \$6.0 million assessment limit in FY 2004-05 included altering some programs to reduce expenditures, not funding one of the grant programs, significantly limiting program outreach efforts, and deferring decisions on FY 2004-05 payment requests of more than \$740,000 for the Lifeline and Link-Up America programs to FY 2005-06.

TEPP expenditures increased by 24 percent, from \$1.9 million in FY 2003-04 to \$2.4 million in FY 2004-05. Because of the assessment limit and resulting budget constraints, outreach efforts were limited to outreach provided by the independent living centers. Implementation of an electronic application process in October 2003, vendor outreach, and involvement of independent living centers in program outreach contributed to a significant increase in the number of program participants receiving benefits over the past two fiscal years. TEPP applications decreased slightly from 10,630 applications in FY 2003-04 to 10,111 applications in FY 2004-05. This was the second fiscal year in which PSC received over 10,000 TEPP applications. Before FY 2003-04, the number of TEPP applications filed averaged about 5,500. To limit growth of the program, as of September 1, 2004, the PSC limited the equipment approved for purchase by TEPP program participants. In addition, as of October 1, 2004, TEPP hard-of-hearing voucher benefits were reduced from \$200 to \$125 per person. The effects of these changes were not fully felt until November 2004, when monthly program expenditures decreased to about \$130,000 from the high of about \$385,000 in September 2004. The monthly TEPP expenditures have remained below \$150,000 since January 2005.

Lifeline expenditures increased slightly from \$1.6 million in FY 2003-04 to \$1.7 million in FY 2004-05. While the increase is relatively small, participation rates for this program have increased fairly steadily for the last three fiscal years. Some of these increases can be attributed to increased program participation resulting from additional outreach efforts from the providers. Lifeline is a joint federal/state program, and the Federal Communications Commission has been emphasizing that providers should be increasing participation rates for this program. In addition, over \$322,000 in payment decisions were made in FY 2004-05 that had been deferred from FY 2003-04 due to the assessment limit. Further, payments totaling more than \$181,000 were made to a telecommunications company for services provided in prior years but not billed until FY 2004-05. The deferred payment decisions and prior-year payments were almost 42 percent of the established Lifeline budget of \$1.2 million and contributed significantly to expenditures exceeding the PSC's budget for this program by nearly \$500,000.

Link-Up America expenditures increased by \$83,000, to \$892,000 in FY 2004-05. The 10 percent increase is attributed to increased participation in the program. In addition, over \$165,000 in payment decisions were made in FY 2004-05 that were deferred from FY 2003-04 due to the assessment limit. Also, payments totaling more than \$22,000 were made to a telecommunications company for services provided in prior years but not billed until FY 2004-05. The deferred payment decisions and prior-year payments were almost 29 percent of the established

Link-Up America budget of \$650,000 and contributed significantly to expenditures exceeding the PSC's budget for this program by over \$242,000.

Expenditures for the High Rate Assistance Credit program decreased from \$425,000 in FY 2003-04 to \$166,000 in FY 2004-05. The 61 percent decrease is partially attributable to payments of \$151,000 in FY 2003-04 made to a telecommunications company for services provided in two prior fiscal years but not billed until FY 2003-04. The remainder of the decrease was due to decreased participation rates for FY 2004-05. Eligibility to participate in this program is affected by the county median income level. Those levels increased, resulting in a reduction in the number of customers eligible for this program.

Expenditures for the Medical Telecommunications Equipment program increased by \$174,000, to \$370,000 in FY 2004-05. At the same time, expenditures for the Access Program or Project by Nonprofit Groups decreased by \$213,000, or 40 percent, from the prior year. Expenditures may vary significantly between years for both programs based on the timing of grantee reimbursement requests. The PSC awarded grants of \$500,000 for the Access Program or Project by Nonprofit Groups in FY 2004-05; however, the PSC did not award any grants for the Medical Telecommunications Equipment program for the fiscal year because of budgetary constraints caused by the assessment limit.

This financial report is designed to provide an overview of the Universal Service Fund's finances. Questions concerning any of the information it provides, or requests for additional information, should be addressed to the Public Service Commission of Wisconsin, in care of the Universal Service Fund Manager, P.O. Box 7854, Madison, WI 53707-7854.

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Financial Statements ■

Universal Service Fund

Balance Sheet
June 30, 2005 and 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
ASSETS		
Cash and Cash Equivalents (Notes 2C and 3)	\$ 10,040,905	\$ 6,919,225
Assessments Receivable (Note 2D)	1,879,937	1,562,904
Other Receivables	<u>5,300</u>	<u>191,902</u>
Total Assets	<u>\$ 11,926,142</u>	<u>\$ 8,674,031</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Program liabilities:		
Educational Telecommunications Access Program	\$ 3,326,842	\$ 488,107
Lifeline Program	948,700	725,124
Link-Up America Program	412,817	370,428
High Rate Assistance Credit Program	115,274	187,057
Telecommunications Equipment Purchase Program	109,085	275,068
Access Program or Project by Nonprofit Groups	32,546	154,502
Two-Line Voice Carryover Program	394	408
Public Interest Pay Telephone Program	0	11,079
Medical Telecommunications Equipment Program	0	36,000
Accounts payable	<u>42,681</u>	<u>14,396</u>
Total Liabilities	<u>4,988,339</u>	<u>2,262,169</u>
Fund Balance:		
Reserved for encumbrances (Note 6)	1,322,533	2,433,736
Unreserved	<u>5,615,270</u>	<u>3,978,126</u>
Total Fund Balance	<u>6,937,803</u>	<u>6,411,862</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,926,142</u>	<u>\$ 8,674,031</u>

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenditures, and Changes in Fund Balance
for the Years Ended June 30, 2005 and 2004**

	Year Ended June 30, 2005	Year Ended June 30, 2004
REVENUES		
Telecommunications Providers Assessments (Note 2D) for:		
Educational Telecommunications Access Program	\$ 17,236,229	\$ 16,494,039
Public Service Commission Programs (Note 7)	5,975,269	3,993,343
Department of Public Instruction Programs	4,049,667	3,990,947
University of Wisconsin BadgerNet Access	1,052,942	1,053,772
Total Telecommunications Providers Assessments	\$ 28,314,107	\$ 25,532,101
Interest Income	149,169	38,949
Other Revenue	0	67,400
Total Revenues	28,463,276	25,638,450
EXPENDITURES		
Program Expenditures:		
Educational Telecommunications Access Program (Note 5)	16,846,105	12,686,709
Telecommunications Equipment Purchase Program	2,406,255	1,935,188
Library Aids	2,111,900	2,111,900
BadgerLink Program	1,943,499	1,886,870
Lifeline Program	1,655,275	1,559,003
Link-Up America Program	892,067	808,693
University of Wisconsin BadgerNet Access	763,993	759,783
Medical Telecommunications Equipment Program	370,249	195,938
Access Program or Project by Nonprofit Groups	324,001	536,831
High Rate Assistance Credit Program	166,262	424,872
Public Interest Pay Telephone Program	90,365	142,695
Two-Line Voice Carryover Program	1,893	1,481
Total Program Expenditures	27,571,864	23,049,963
Administrative Expenditures	297,971	237,063
Other Expenditures and Adjustments	0	67,342
Total Expenditures	27,869,835	23,354,368
EXCESS OF REVENUES OVER EXPENDITURES	593,441	2,284,082
OTHER FINANCING USES		
Transfers for the Newslines Program (Note 4)	67,500	67,500
Excess of Revenues over Expenditures and Other Financing Uses	525,941	2,216,582
FUND BALANCE		
Fund Balance—Beginning of the Year	6,411,862	4,195,280
Fund Balance—End of the Year	<u>\$ 6,937,803</u>	<u>\$ 6,411,862</u>

The accompanying notes are an integral part of this statement

Notes to the Financial Statements ■

1. DESCRIPTION OF THE UNIVERSAL SERVICE FUND

The Wisconsin Public Service Commission established the State of Wisconsin Universal Service Fund, as directed by 1993 Wisconsin Act 496, to ensure that all residents of Wisconsin receive essential telecommunications services and have access to advanced telecommunications service capabilities. Act 496 directed the PSC to create and appoint the members of the Universal Service Fund Council, the majority of whom are to be representatives of consumers of telecommunications services, to advise the PSC concerning the administration of the Fund. Act 496 also directed the PSC to contract with a private firm to administer the Fund. The PSC has contracted with Wipfli LLP, an accounting firm, for these services.

The Universal Service Fund is established as a trust fund in s. 25.95, Wis. Stats. As allowed by statute, the PSC requires telecommunications providers to contribute to the Universal Service Fund in amounts sufficient to support the Fund's programs and operations. The Fund supports funding for telecommunications services and access provided through several state agencies, including the PSC, the University of Wisconsin (UW) System, the Department of Public Instruction (DPI), and the Department of Administration (DOA).

A description of each of the programs under which the Universal Service Fund incurred expenditures during FYs 2004-05 and 2003-04 follows.

A. Educational Telecommunications Access Program

This program, which had been administered by the Technology for Educational Achievement (TEACH) Board, was implemented in February 1998 to provide educational entities with subsidized access to new data lines for direct Internet access and video links, which also provide for two-way interactive video that allows participants to view and respond to instructional presentations from off-site locations. In addition, the program provides grants for data lines and video links in existence before October 14, 1997. Beginning in FY 2003-04, the TEACH Board was disbanded and the Educational Telecommunications Access Program was transferred to DOA.

B. BadgerLink

Beginning in FY 1999-2000, the Universal Service Fund pays for contracts with vendors that provide statewide access to reference databases of magazines and newspapers through BadgerLink, which is a program administered by DPI to provide access to information resources using existing telecommunications networks and Internet connections.

C. Library Aids

2003 Wisconsin Act 33 provided statutory language that included the payment of public library system aid as an authorized use of the Universal Service Fund beginning in FY 2003-04. General purpose revenue is the major source of funding for library aids. DPI is responsible for distributing the aids payments to 17 Wisconsin public library systems according to a statutory formula.

D. Telecommunications Equipment Purchase Program

This program, which was implemented in May 1996, assists persons with disabilities in acquiring special telecommunications equipment. Six categories of disabilities qualify for the program: hard of hearing, deaf, speech impaired, mobility/motion impaired, deaf and low vision, and deaf and blind. For each disability, the PSC has established a maximum dollar amount that the Universal Service Fund will pay toward the purchase of special telecommunications equipment. Participants in this program, except for hard-of-hearing participants, are required to contribute \$100 toward the cost of the special equipment, plus any amount in excess of the maximum amount that the Fund will pay. The Fund issues vouchers to approved eligible disabled persons, who present them to vendors when equipment is purchased. Vendors subsequently submit the vouchers to the Fund administrator for payment.

E. University of Wisconsin BadgerNet Access

BadgerNet is the State's telecommunications infrastructure of voice, data, and video networks and communication services provided by DOA to Wisconsin state agencies, local governments, UW campuses, technical colleges, public and private schools, and other eligible users. Beginning in FY 1997-98, the Legislature appropriated funds from the Universal Service Fund to provide BadgerNet access for UW-River Falls, UW-Stout, UW-Superior, and UW-Whitewater in a manner equivalent to the access provided through other funding sources for the other nine four-year campuses.

F. Lifeline and Link-Up America

These are separate but complementary programs that were implemented in June 1997, with retroactive assistance to May 1996. Certain low-income individuals are eligible to participate in these programs. The Lifeline program is based on a maximum rate of \$15 per month for certain basic services consisting of single-party residential touch-tone service, including "911" emergency service. When the actual approved rate for these services exceeds \$15 per month, low-income customers may receive support for the difference. The Link-Up America program provides a waiver of certain regulated service charges when low-income residential customers initiate or move telephone service. For both of these programs, telecommunications providers establish eligibility and request reimbursement from the Fund for its share of these costs.

G. High Rate Assistance Credit

This program was implemented in May 1996 to lessen the financial effects of rapid increases in approved telecommunications rates charged to users. Under the program, telecommunications providers issue credits to residential customers when telecommunications rates exceed certain levels that are based on the median household income level for which the rates apply. The Universal Service Fund reimburses telecommunications providers the value of the credits issued.

H. Medical Telecommunications Equipment

This program, which was implemented in FY 2000-01, provides grants to nonprofit medical clinics and public health agencies to purchase medical telecommunications equipment that will promote technologically advanced medical services or will enhance access to medical care.

I. Access Program or Project by Nonprofit Groups

This program, which was implemented in FY 2000-01, provides grants to nonprofit groups for partial funding of programs or projects that will facilitate affordable access to telecommunications and information services.

J. Public Interest Pay Telephone

This program, which was implemented in FY 2000-01, provides funding to ensure that pay telephones remain or are installed at locations where there is a public need, even though revenues generated by use of the telephones are not sufficient to have providers willing to maintain or install these telephones.

K. Two-Line Voice Carryover

This program, which was implemented in FY 2001-02, provides a second telephone line to certain hearing- or speech-impaired customers who use teletype service.

L. Newsline Electronic Information Service

Beginning with FY 1997-98, an annual transfer from the Universal Service Fund is made to the State of Wisconsin General Fund to fund a contract between DPI and the National Federation of the Blind to provide the Newsline electronic information service that provides telephone access to audio versions of major national newspapers and several local newspapers for sight-impaired individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Presentation**

The Universal Service 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). The Universal Service Fund is a special revenue fund of the State of Wisconsin. 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 of Wisconsin as a whole.

B. Basis of Accounting

The Universal Service Fund is accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the Balance Sheet. The operating statement presents revenues and expenditures that result in changes in net available financial resources.

The Fund is accounted for on the modified accrual basis of accounting, which recognizes revenues when they become measurable and available to pay current reporting period liabilities. Revenues are considered to be available if received within one year after the fiscal year-end. Expenditures and related liabilities are recognized when obligations are incurred, with the exception that payments on master lease obligations are recorded as expenditures when due.

C. Cash and Cash Equivalents

Cash and cash equivalents reported on the Balance Sheet include a demand deposit account at a commercial financial institution and cash deposited with the State, where available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled in the State Investment Fund are restricted to legally stipulated investments valued consistent with GASB Statement No. 31, *Accounting and Financial Reporting for Investments and for External Investment Pools*.

D. Telecommunications Providers' Assessments

Annually, the PSC estimates the amount of revenues needed to pay for the year's program and administrative costs up to limits established by the Legislature. The PSC then assesses telecommunications providers their share of these costs based on intrastate revenues. Those telecommunications providers with intrastate gross telecommunications revenues of less than \$200,000 annually are exempt from this assessment. Telecommunications providers pay one-twelfth of the assessed amount each month. The Universal Service Fund recognizes telecommunications providers' assessments when due. Unpaid assessments as of June 30 are reported on the Balance Sheet as assessments receivable.

3. DEPOSITS

The Universal Service Fund's administrator uses a bank account at a commercial financial institution to process payments under the telecommunications programs established by the PSC. Payments from this bank account are funded by periodic transfers from the State's bank account. For the Fund's bank account, the financial statements include cash in the bank, plus cash in transit to or from the bank. The amount of the bank account balance was \$7,809 as of June 30, 2005, and \$2,633 as of June 30, 2004. The Federal Deposit Insurance Corporation insures the Fund's deposits for losses up to \$100,000 resulting from the failure of a financial institution.

Cash deposited with the State of Wisconsin is invested in the State Investment Fund, which is a short-term pool of state and local funds managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees. The carrying amount of shares in the State Investment Fund, which is presented at fair value, was \$10,019,000 as of June 30, 2005, and \$6,914,000 as of June 30, 2004. Holdings include certificates of deposit and investments consisting primarily of direct obligations of the federal government and the State, and unsecured notes of qualifying financial and industrial issuers. The State Investment Fund is not registered with the Securities and Exchange Commission.

4. TRANSFERS FOR NEWSLINE PROGRAM

During FYs 2004-05 and 2003-04, the Universal Service Fund transferred funds to the State of Wisconsin General Fund appropriation created under s. 20.255(1)(ke), Wis. Stats., to fund a contract between DPI and the National Federation of the Blind for the Newslines electronic information service that provides telephone access to audio versions of major national newspapers for blind and visually impaired individuals. \$67,500 was transferred in both FY 2004-05 and FY 2003-04.

5. MASTER LEASE COMMITMENTS

The subsidized video link and data line costs of the Educational Telecommunications Access Program were financed through the State's master lease program. The Universal Service Fund's expenditures for the program include master lease payments of \$9.2 million during FY 2004-05 and \$5.9 million during FY 2003-04, which included \$0.5 million and \$0.7 million for interest, respectively. Included in the \$9.2 million of payments in FY 2004-05 was a prepayment of \$2.9 million to pay off the remaining balances of the master lease commitments.

6. ENCUMBRANCE RESERVES

The Universal Service Fund is committed to making future payments related to the Educational Telecommunications Access Program, the Telecommunications Equipment Purchase Program, and various other programs.

A. Telecommunications Equipment Purchase Program

Vouchers that have been issued to disabled persons for the purchase of special telecommunications equipment but have yet to be presented to the Fund for payment are reported as reserved for encumbrances. As of June 30, 2005, and June 30, 2004, the Telecommunications Equipment Purchase Program encumbrances were \$714,075 and \$1,635,900, respectively.

B. Other Encumbrances

As of June 30, 2005, and June 30, 2004, the following encumbrance balances were outstanding for the various programs in which awards had been made to participants or obligations incurred, but the appropriate invoices and supporting documentation had not yet been presented to the Fund for the release of funding to the recipient or vendor:

<u>Program</u>	<u>Encumbrances at June 30, 2005</u>	<u>Encumbrances at June 30, 2004</u>
Access Program or Project by Nonprofit Groups	\$529,053	\$363,115
Medical Telecommunications Equipment	38,983	434,721
Public Interest Pay Telephone Program	40,422	0

7. ASSESSMENT LIMITS

2001 Wisconsin Act 16 limits the amount of assessments on telecommunications providers to support the PSC-operated programs. Under 2001 Act 16, the PSC may not assess more than \$5.0 million in FY 2003-04, and \$6.0 million in FY 2004-05 and each year thereafter, for PSC-operated programs.

8. RECLASSIFICATION

\$36,000 in program liabilities for FY 2003-04 was reclassified from the Access Program or Project by Nonprofit Groups to the Medical Telecommunications Equipment Program.

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Supplementary Information ■

Budgetary Comparison Schedule for the Years Ended June 30, 2005 and 2004

	Year Ended June 30, 2005		Year Ended June 30, 2004	
	Budget	Actual	Budget	Actual
AVAILABLE FOR APPROPRIATION				
Unexpended Budgetary Fund Balance				
Beginning of the Year ¹		\$ 5,976,642		\$ 1,767,428
Revenues ²	\$ 28,153,243	28,153,243	\$ 26,491,156	26,491,156
Amount Available for Appropriation		34,129,885		28,258,584

APPROPRIATIONS AND TRANSFERS (OUTFLOWS)

Educational Telecommunications Access Program	17,262,000	16,846,105	16,524,500	12,686,709
PSC Programs and Transfer for Newline Program ³	6,000,000	6,122,747	5,000,000	4,836,680
BadgerLink Program	1,943,500	1,943,499	1,886,900	1,886,870
Aid to Public Library Systems	2,111,900	2,111,900	2,111,900	2,111,900
University of Wisconsin BadgerNet Access	1,054,800	763,993	1,054,800	759,783
Total Appropriations and Transfers	28,372,200	27,788,244	26,578,100	22,281,942

FUND BALANCE

Unexpended Budgetary Fund Balance—End of the Year		6,341,641		5,976,642
Less Encumbrances Outstanding at End of the Year		(1,322,533)		(2,433,736)
Unencumbered Fund Balance—End of the Year		\$ 5,019,108		\$ 3,542,906
Budgetary Basis		\$ 5,019,108		\$ 3,542,906

¹ The ending fund balance with encumbrances carries forward because the previous year's encumbrances become expenditures in the next year or continue in the encumbrance line.

² Universal Service Fund revenues are not incorporated into the adopted state budget. Telecommunication providers are assessed a fee based on the amount of estimated expenditures as submitted to the Legislature's Joint Finance Committee by the Universal Service Fund. As a result, legally budgeted revenues are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedule.

³ An encumbrance balance of \$834,000 from FY 2003-04 carried forward to FY 2004-05 for the PSC programs. Therefore, the programs did not exceed their budget authority in FY 2004-05. In addition, PSC actual expenditures for FY 2004-05 and FY 2003-04 do not include payment requests of \$740,000 and \$544,000, respectively, that were deferred to the following fiscal year.

Budgetary—GAAP Reporting Reconciliation as of June 30, 2005 and 2004

The following schedule reconciles the budgetary-based fund balance in Schedule 1 with the generally accepted accounting principles (GAAP)-based fund balance in the financial statements as of June 30, 2005 and 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Fund Balance (Budgetary Basis) as Reported on the Budgetary Comparison Schedule	\$ 5,019,108	\$ 3,542,906
Adjustments (Basis Differences):		
To eliminate the effect of encumbrances that reduce the unexpended budgetary fund balance under budgetary reporting ¹	1,322,533	2,433,736
To adjust revenues for cash deposits not recorded until after year-end ²	8,314	37,675
To accrue assessments and other receivables ³	1,876,923	1,537,528
To accrue payables ⁴	<u>(1,289,075)</u>	<u>(1,139,983)</u>
Fund Balance, End of the Year (GAAP basis) as Reported in the Financial Statements	<u>\$ 6,937,803</u>	<u>\$ 6,411,862</u>

¹ Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation. Under budgetary reporting, encumbrances are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year-end for purchase orders and contracts expected to be honored in the following year are reported as reservations of fund balance, since they do not constitute expenditures or liabilities.

² Under budgetary reporting, cash recorded in the State's accounting system is reported. However, under GAAP reporting, cash received by the State's bank by June 30 but not yet recorded on the State's accounting system on June 30 is also reported.

³ Budgetary reporting only recognizes revenue actually received by the State. However, revenue due to the State must also be recorded for GAAP reporting.

⁴ This entry adjusts the GAAP fund balance by additional payables that were not yet recorded on the State's accounting system as of June 30, but were obligations of the State as of June 30.

Report on Internal Control and Compliance ■

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

We have audited the financial statements of the State of Wisconsin Universal Service Fund as of and for the years ended June 30, 2005, and 2004, and have issued our report thereon dated May 8, 2006. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the State of Wisconsin Universal Service Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters

involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the State of Wisconsin Universal Service Fund's financial statements are free of 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*.

We noted a certain matter pertaining to encumbrances that we reported to the management of the Universal Service Fund in a separate letter dated May 17, 2006.

This independent auditor's report is intended for the information and use of the agencies responsible for management of the Universal Service Fund and the various programs it funds, and the Wisconsin Legislature. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on internal control over financial reporting or on compliance, this report is not intended to be used by anyone other than these specified parties.

May 8, 2006

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director

Appendix

Universal Service Fund Programs

Program Name	Description	Year Initiated	Expenditures through 6/30/05	FY 2005-06 Budget
PSC Programs:				
High Rate Assistance Credit	Provides credits for a portion of local telephone service rates when the rate charged for service exceeds levels set in administrative rule for this program.	1996	\$ 7,475,725	\$ 290,000
Telecommunications Equipment Purchase	Provides financial assistance to help persons with disabilities in acquiring special telecommunications equipment.	1996	10,926,351	1,900,000
Lifeline	Provides support to low-income individuals for rates in excess of \$15 per month for basic telephone services.	1997	7,241,190	1,700,000
Link-Up America	Provides a waiver of certain regulated service charges when low-income residential customers establish or move their telephone service.	1997	4,354,283	1,000,000
Institutional Discount	Provided qualified institutions, such as public libraries, nonprofit schools, and nonprofit hospitals, with discounted rates for new specialized telecommunications services. This program was discontinued in FY 2001-02.	1996	733,897	0
Rate-Shock Mitigation	Provides rate credits for customers to temporarily mitigate the effect of large increases in authorized telephone rates. The PSC specifies the individual rate cases where the credits apply.	1996	711,188	0
Access Program or Project by Nonprofit Groups	Provides funding for nonprofit groups that will facilitate the provision of affordable access to telecommunications and information services that are consistent with the uses of the Fund.	2000	1,653,944	307,000
Medical Telecommunications Equipment	Awards grants on a competitive basis to nonprofit medical clinics and public health agencies for the purchase of telecommunications equipment.	2000	1,953,030	307,000

Program Name	Description	Year Initiated	Expenditures through 6/30/05	FY 2005-06 Budget
Public Interest Pay Telephone	Provides payments from the Fund to pay telephone companies where it is determined that the public health, safety, and welfare will be jeopardized without the availability of public pay telephone services.	2000	\$ 585,881	\$ 212,000
Two-Line Voice Carryover	Waives any intrastate nonrecurring charge or monthly rate for a second telephone line used by hearing-impaired customers for teletype service.	2000	<u>5,363</u>	<u>2,000</u>
Subtotal of PSC Programs			<u>\$35,640,852</u>	<u>\$5,718,000</u>
TEACH/DOA Program:				
Educational Telecommunications Access	Provides subsidized access to new data lines for direct Internet access and two-way interactive video links, and provides grants for data lines and video link contracts in existence before or on October 14, 1997. This program moved to DOA in FY 2003-04.	1998	90,715,409	17,267,900
DPI Programs:				
Newsline	Funds a contract with the National Federation of the Blind to provide Newsline electronic information service that provides telephone access to audio versions of major national newspapers for sight-impaired individuals.	1997	506,000	0
BadgerLink	Funds a contract with vendors that provide statewide access to reference databases of magazines and newspapers through BadgerLink, which previously had been supported with federal funding.	1999	9,912,736	1,992,500
Supplemental Aid to Public Library Systems	Funds aid payments to public library systems.	2004	4,223,800	4,223,800
UW System Program:				
UW System BadgerNet Access	Provides support to provide BadgerNet access for four UW campuses.	1997	<u>7,130,170</u>	<u>1,054,800</u>
Total of All Programs			<u>\$148,128,967</u>	<u>\$30,257,000</u>