Education

Healthcare

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Iowa Communications Network Annual Report FY2016

Government

Public Safety

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IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION
Richard L. Bruner, CHAIR
Kathleen Kohorst
Kelly Dolan Lange
Timothy L. Lapointe
Mary Sellers
Mary Mosiman
Robert von Wolffradt
RIC LUMBARD, EXECUTIVE DIRECTOR
GOVERNOR TERRY E. BRANSTAD
LIEUTENANT GOVERNOR KIM REYNOLDS

November 18, 2016

The Honorable Terry E. Branstad
Governor, State of Iowa
State Capitol
Des Moines, Iowa 50319

Dear Governor Branstad:

On behalf of the Iowa Telecommunications and Technology Commission overseeing the Iowa Communications Network (ICN), I am pleased to submit our Fiscal Year 2016 Annual Report for your review. Throughout the report you will find information explaining how strong high-speed Internet, voice, and video services continue to provide exceptional value to our authorized users. Highlights include:

- The announcement of ICN's collaboration with CenturyLink as a managed service provider. This partnership provides ICN users with a state-of-the-art phone system, bundled with the additional voice efficiency and productivity enhancements of unified communications.
- Establishment of a Security Bureau to align ICN with the Cybersecurity framework for the State of Iowa.
- Continued partnering with the Iowa Department of Public Safety to provide technical management support to work through the requirements needed for the federal FirstNet initiative.

In Fiscal Year 2016, ICN introduced a new vision of being "Broadband Strong". The statement emphasizes that ICN can deliver STRONG, FLEXIBLE broadband and FAST experiences to meet the growing broadband needs for education, government, public safety, and healthcare users.

That vision will continue to guide the ICN through Fiscal Year 2017. The Commission and ICN have a number of strong broadband initiatives that will benefit our users. Those initiatives include:

- Establishing a carrier-grade telecommunications lab. The lab will address all production related testing pertaining to new product introductions, protocol enhancements, services improvements/changes, and scalability in the network infrastructure.
- Increasing ICN's 40 Gb core infrastructure to 200 Gb fabric capacity. This increase dramatically upgrades the untapped potential in the ICN's infrastructure enabling faster delivery of broadband services.
- Creating new cybersecurity products and services for our end users to assist them in protecting their networks.

As we look to the future, ICN will stay true to its mission of providing strong, flexible, and fast broadband to its users. On behalf of the Commission and all ICN employees, we appreciate the opportunity to be of service.

Sincerely,

Richard L. Bruner
Chair
Iowa Telecommunications and Technology Commission

IOWA COMMUNICATIONS NETWORK
Grimes State Office Building, 400 E. 14th Street, Des Moines, IA 50319 Phone: 515-725-4692 Fax: 515-725-4727 www.icn.iowa.gov

The Iowa Communications Network (ICN) is the country's premier distance learning and state government broadband carrier network, committed to providing Iowa strong broadband solutions for the education, government, public safety, and healthcare sectors of Iowa.

Vision

BROADBAND STRONG

STRONG FLEXIBLE FAST

Iowa Telecommunications and Technology Commission Members

Richard Bruner, Chair
Kelly Dolan Lange | Kathleen Kohorst | Timothy Lapointe | Mary Sellers
Mary Mosiman, Ex-Officio | Robert von Wolffradt, Ex-Officio

2016 Legislative Session Recap

Commissioner Mary Sellers' second term appointment (through 2022) was approved by the Senate on April 11. She has served on the Iowa Telecommunications and Technology Commission (ITTC) since 2012. Each commission member serves a 6-year term, and is subject to confirmation by the Senate.

Senate File 2324 was signed by the Governor on May 27. The Act includes appropriations from the Rebuild Iowa Infrastructure Fund including:

- Just over $2.7 million to the Department of Education for Part III lease payments.
- Just over $1.1 million to the ITTC for equipment replacement, operation and maintenance costs.
- In addition the bill authorizes the ICN to exceed its contract limitation amount for purposes of the network core project.

ICN contracts exceeding $1 million during FY 2016, as required by the Code of Iowa, Section 8D.3(3)(f).

- None

Agency Overview

Finance Bureau

Responsible for financial reporting, and analyzing the financial health of the agency. Finance ensures resources are available to carry out the operational and strategic goals of the organization, and that the agency follows applicable federal and state accounting rules and policies.

Business Services Bureau

Provides telecom consulting to customers, revenue and gross margin generation, project and order management, as well as customer service. Responsibilities include: Account Consultants (Sales), Project Management, and Customer Support.

Operations Bureau

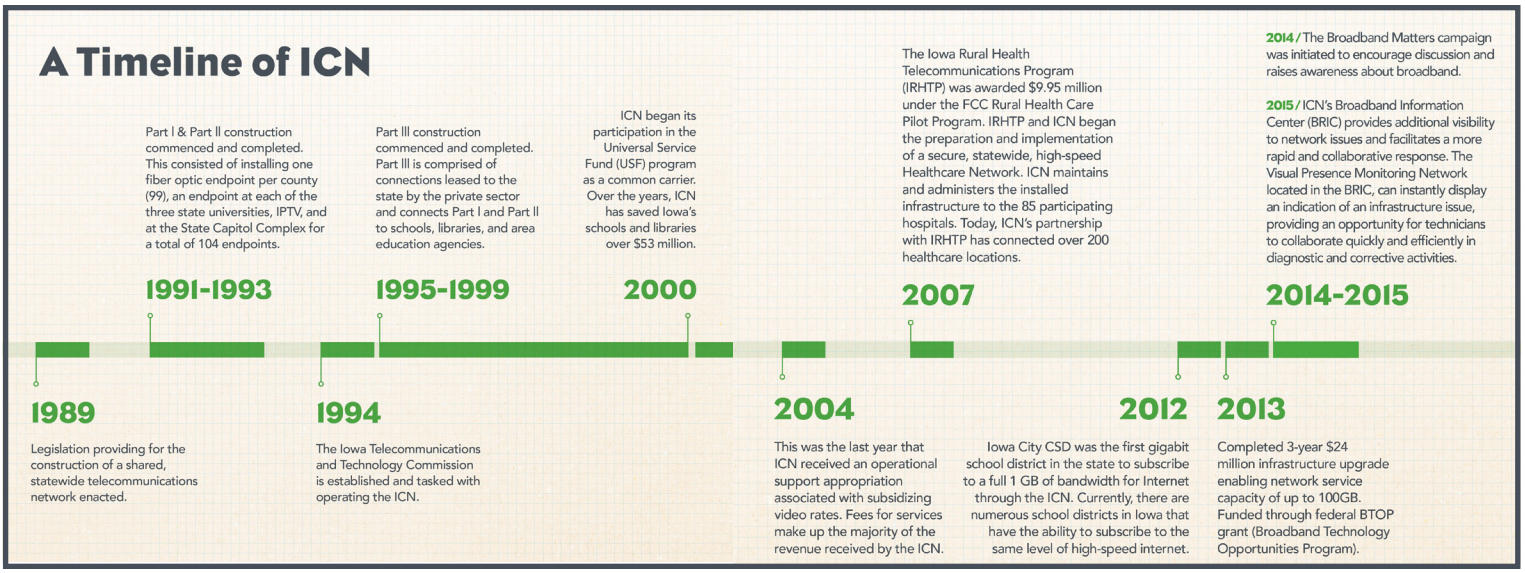
Ensures voice, video, and data services are available for customer use. The bureau focuses on production operations, the Network Operations Center, Broadband Information Center, and managed service contracts related to the Network. The bureau's goal is high network availability with minimal disruption, while performing various move/add/changes and maintenance related tasks.

Engineering Bureau

Focuses on presales design, transport design, and the Technical Assistance Center (TAC). The group receives and processes customer requests for services and is responsible for capacity planning, which includes determining and managing the bandwidth of all segments.

Security Bureau

As part of its mission to serve Public Safety in Iowa, the ICN has a dedicated Security Bureau serving both Public Safety and Cybersecurity initiatives. ICN responds to cyber incidents, provides technical assistance, and collaborates with the Office of the Chief Information Officer.



ICN Services Update

Internet, Voice, Video

Internet

In FY 16, education users received 73 direct Internet connection increases & 147 Ethernet increases.

ICN Internet service used by sectors:

- 284 school districts
- 75 government users (State, Federal, City of Des Moines)
- 99 healthcare entities
- 181 public safety locations (including towers)

85% of the Internet provided by the ICN is being used by educational entities (36.4 Gb education, 5.9 Gb non-education).

The amount of Internet capacity purchased by authorized users has increased 41% over the past two years (25.1 Gb to 34.6 Gb).

Voice

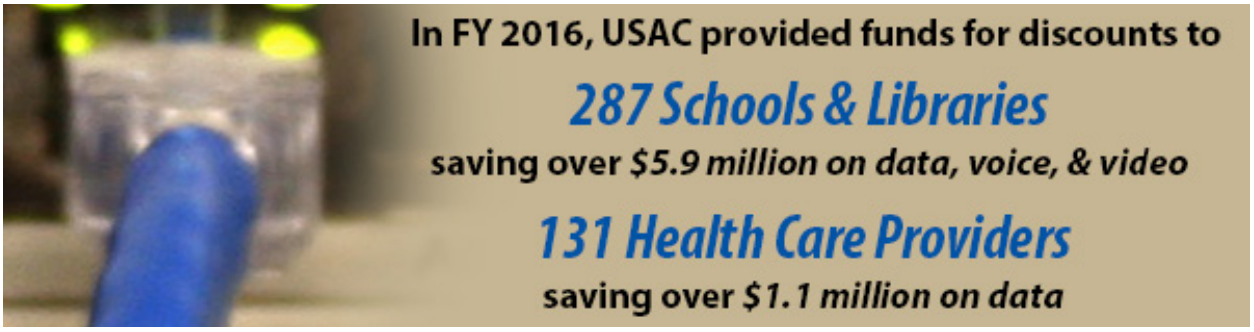
ICN is collaborating with CenturyLink to provide unified communications as a managed service. The predictable Fixed Cost Model offers advanced phone service to users with $0 capital investment. Customers select a phone or service type from a basic, standard, premium, or voice mail only package.

Sites deployed with ICN's Managed Voice Service (MVS) Solution:

- Iowa Communications Network
- Iowa Prison Industries
- Office of Consumer Affairs
- Iowa Utilities Board
- Iowa Economic Development Authority
- Commerce Banking
- Commerce Credit Union
- Commerce Professional Licensure
- Iowa Lottery
- Iowa Department of Human Services (4 sites)
- University of Iowa-AIB Location

Video

ICN produced 51,086 Internet Protocol (IP) video hours; 17,427 full motion video hours in FY 16. There are a total of 79 Video@LightSpeed subscriptions being used by ICN users.



Building a Strong Framework to be Cyber Aware

In the State of Iowa and around the world, the Cybersecurity landscape is rapidly changing shape. The role of the transport provider has had to change over the last year in providing customers options regarding cyber security, and the ICN is staying in step in securing the State's network cyber ecosystem.

With the increase in threats and cyber-attacks, the ICN, in collaboration with the State of Iowa's Chief Information Officer (OCIO), is strengthening its ability to protect the State, its customers, and the agency itself. Each day, the Capitol Complex is a target to thousands of cyber threats. An attack can target not just data systems, but industrial controlling equipment, and computers. In addition, through manipulation of images, text, and phrases, one's emotions and choices are also a target. The human factor continues to be a significant vulnerability, susceptible to phishing emails, malware attacks, ransomware, key loggers, and remote access to cameras that capture keystrokes or video.

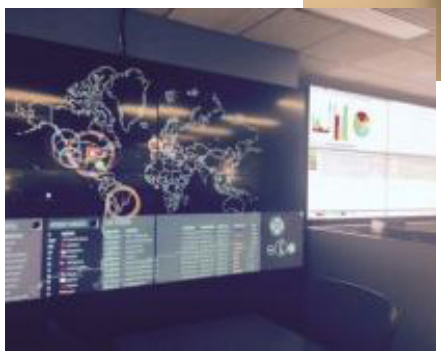
ICN has taken proactive measures by implementing a monitoring tool to improve malware detection within network traffic and related infrastructure. The tool provides ICN's BRIC (Broadband Information Center) with an advanced warning that heightens the situational awareness for malicious activities. If a threat is recognized, steps can be taken to mitigate the threat and take necessary precautions before damage is done.

Visual Presence Network in Operation at BRIC

ICN has a new collaborative way to monitor Iowa's state-owned broadband infrastructure. The BRIC or 'Broadband Information Center' encompasses ICN's Visual Presence Monitoring Network, which allows for key network and information systems to be monitored with real-time visual presence and collaboration between ICN and other agencies.

In December 2015, TJ Kennedy from FirstNet and former Vermont Governor Jim Douglas toured ICN's Broadband Information Center (BRIC) with Iowa's FirstNet team.

ICN's Ric Lumbard says, "We only have minutes to respond and implement mitigation when our customers are experiencing a cyber-attack. The BRIC provides ICN the ability to collaborate and respond with strong, flexible, and fast strategies. This requires all the intellectual influence in the ICN bureaus to be on the same page quickly, make decisions, and implement real-time solutions."



Students Discuss Broadband Topics During SYBAC Meetings

High school students from across Iowa experienced the opportunity on February 9, 2016 to meet with elected officials at the State Capitol to discuss the importance of strong reliable broadband in their daily lives. The 11 student participants were part of the 2015 - 2016 Statewide Youth Broadband Advisory Council (SYBAC) founded by the ICN.

The SYBAC students were briefed by elected officials on past and current state initiatives relating to technology. Those measures include the 'Connect Every Acre' initiative, a cyber security bill, and a measure to prevent identity theft. State Representative Zach Nunn (R- Polk County), himself a former cyber security analyst with the National Security Administration, offered the students insight into the global challenges to security as technology advances.

In addition to meeting with elected officials at the statehouse, SYBAC students also had a special visitor at one of their monthly meeting. Lt. Governor Kim Reynolds participated in a round table discussion with the students on a range of topics including the new Amazon ECHO product, driverless cars, lack of strong reliable broadband in some schools, and future opportunities for students in Iowa. "In Iowa we lead the way in technology. There's a great future for you in technology here in Iowa." Reynolds said.

Topics discussed by the 2015-2016 SYBAC students include:

- Technology challenges and incorporating digital devices and cell phones in the classroom.
- Broadband dead zones in schools; teachers/students go into the hallway for a Wi-Fi connection.
- Gaming and coding as a life skill that students are learning.
- Augmented reality and what we consider 'futuristic technology'.
- Do consumers and retailers have the same level of cyber security responsibility?
- Satellite broadband in vehicles and Wi-Fi in buses.
- Susceptibility of retail companies to data breaches and the security of consumer information.
- Encrypting vs. non-encrypting data over the Internet.

Strong Broadband Progress for First Responders

ICN's executive director Ric Lumbard chairs Iowa's FirstNet Broadband Committee, which is a sub-committee of the Iowa Statewide Interoperable Communications System Board (ISICSB). The broadband committee is the primary technical working group for the FirstNet process in Iowa. The committee provides guidance and information intended to aid FirstNet in the deployment and operation of the nationwide public safety broadband network. The following updates provide an overview of the work being completed by the FirstNet Broadband Committee.

1

State Governance Body Consultation Meeting

Hosted FirstNet representatives for the State Governance Body Consultation meeting in May. FirstNet Regional Consultation Lead, Timothy Pierce, and Government Affairs Representative, Andrew Delaney, provided a FirstNet timeline overview, discussed next steps, and answered questions that the committee had.

2

Opt-in/Opt-out Taskforce

Created an internal working group called the "Opt-in/Opt-out Task Force" responsible for researching all aspects of the FirstNet Opt-in/Opt-out options to ensure that the State of Iowa has all of the pertinent information to make the best decisions possible. Governor Branstad was provided an update of the Task Force findings.

3

Quality of Service, Priority and Preemption (QPP)

Established a five person committee to focus on QPP. The committee will interface with FirstNet as well as the FirstNet Broadband Committee in relation to QPP discussions or tasks. FirstNet will gather feedback to help inform future QPP network policies.

4

Tribal Outreach

Voted to engage in outreach with tribal entities of Iowa to ensure that all tribes are kept informed of the FirstNet process. The committee met with several individuals of the Meskwaki Tribe, as well as the FirstNet Tribal Regional Representative, Margaret Muhr. The committee will meet quarterly with the Meskwaki Tribe to provide status updates and will continue to make efforts to reach other tribal entities in Iowa.

5

Iowa FirstNet Public Private Partnership Summit

The Iowa FirstNet Public Private Partnership Summits provide the opportunity for public and private stakeholders to discuss the FirstNet initiative, progress, and updates. In total there have been four summits held.

One Vision…Three Mandates…Seven Goals

ICN's 'One Vision…Three Mandates…Seven Goals' was the center piece that ICN staff worked towards for Fiscal Year 2016. ICN introduced a new vision of "Broadband Strong". The vision emphasizes that ICN can deliver FLEXIBLE broadband and FAST experiences to meet the growing broadband needs for education, government, public safety, and healthcare users.

The vision provided clarity for all aspects of the agency. If an activity was identified that couldn't be associated with implementing the vision, an evaluation was completed to determine if the activity should continue.

VISION:

BROADBAND STRONG

MANDATES:

STRONG: *Resilient, Valuable, Secure and Reliable*

FLEXIBLE: *Efficient, Dynamic and Customer Friendly*

FAST: *Transport, Services, Systems and Customer Experiences*

MAJOR GOALS:

GOAL 1: A Protected, Secure and Situationally Aware Production Environment

GOAL 2: An Efficient Engineering Systems Environment

GOAL 3: An Engaged, Strategic and Compliant Cyber Environment

GOAL 4: A Margin Managed and Optical Financial Environment

GOAL 5: Provide Customer Facing Broadband Growth Solutions and Establish Broadband Poverty (minimum service level) Remedies

GOAL 6: Aggressive Shift to Implement Flexible Internal Systematic Approaches

GOAL 7: Create Flexible and Fast Customer Broadband Service Delivery Experiences

BROADBAND STRONG
STRONG FLEXIBLE FAST

Looking Ahead to Fiscal Year 2017

Partnership with Public Safety

ICN is dedicating resources to insure that the State of Iowa's critical public safety operations receive the highest level of Broadband management and facilitation as possible.

- **FirstNet:** In January 2016, FirstNet released the Request for Proposal to deploy the Nationwide Public Safety Broadband Network. ICN has worked with the Iowa Department of Public Safety (DPS), and will continue to work supporting this initiative as it moves forward.
- **NG-911:** Within the NG-911 Cellular broadband network, the ICN has served primary broadband connections now for several years. ICN is looking at ways it can help strengthen Iowa HSEMD's ability to serve critical public safety grade broadband to the PSAPs in the state.
- **Wi-Fi Internet for School Emergencies (WISE):** DPS led pilot initiative, in collaboration with local public safety agencies, to utilize ICN's broadband connections at school locations.

200Gb Core Upgrade Announcement

ICN's 40Gb core will be increased five times to a total capacity of 200Gb. This increase will dramatically upgrade the current untapped potential in the ICN's infrastructure; enabling faster delivery of strong broadband services to areas of key importance including: education, healthcare, public safety and government services.

Security Services

A top priority is creating new cybersecurity products and services for our end users, to assist them in protecting their networks. Customers will be able to call upon ICN's advanced technical monitoring to respond to outages, cyber threats, & intrusions.

Establishing Carrier Grade Telecommunications Lab

ICN will complete construction of a Carrier-Grade Telecommunications Lab located on the Capitol Complex. The lab will address production testing pertaining to new product introductions, protocol enhancements, services changes, and scalability in the network, voice, and video infrastructure.

Fast Track

ICN is executing a Fast Track process to shorten the time it takes to implement customer orders. Each day, collaboration is completed to discuss current requests and upcoming work orders to identify those that qualify for the Fast Track process. To show the effectiveness, Marion Independent School District requested a bandwidth increase that took only 68 minutes to complete under the new Fast Track process.

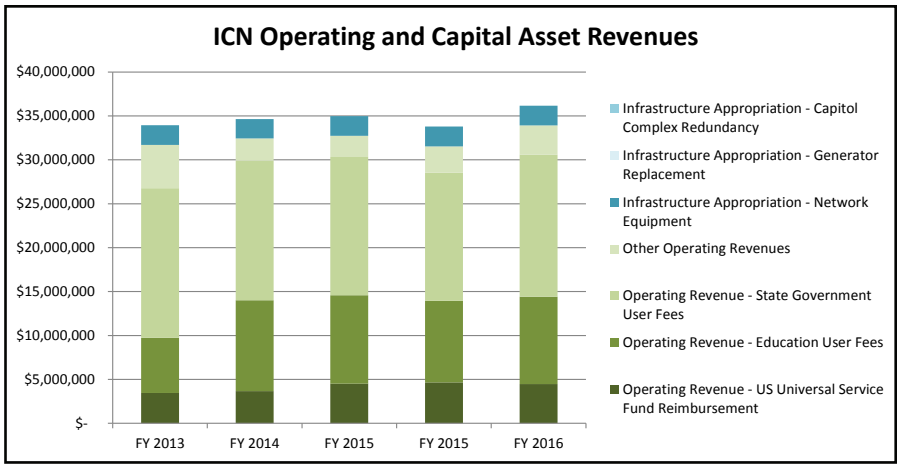
Statewide Youth Broadband Advisory Council

Continuing the ICN's Statewide Youth Broadband Advisory Council for a second year. Last year's SYBAC students discussed free public Wi-Fi, SunCube FemtoSat satellite, driverless cars, lack of strong broadband in some Iowa schools, and wireless communication technology.

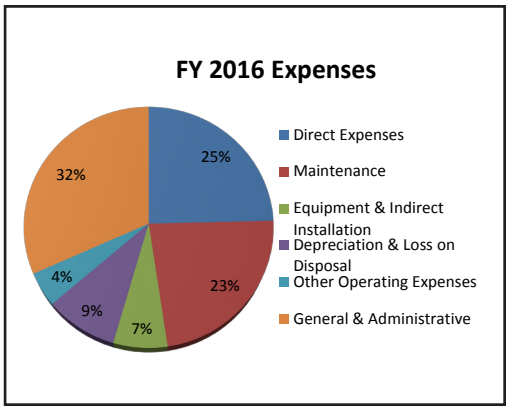
Iowa Communications Network

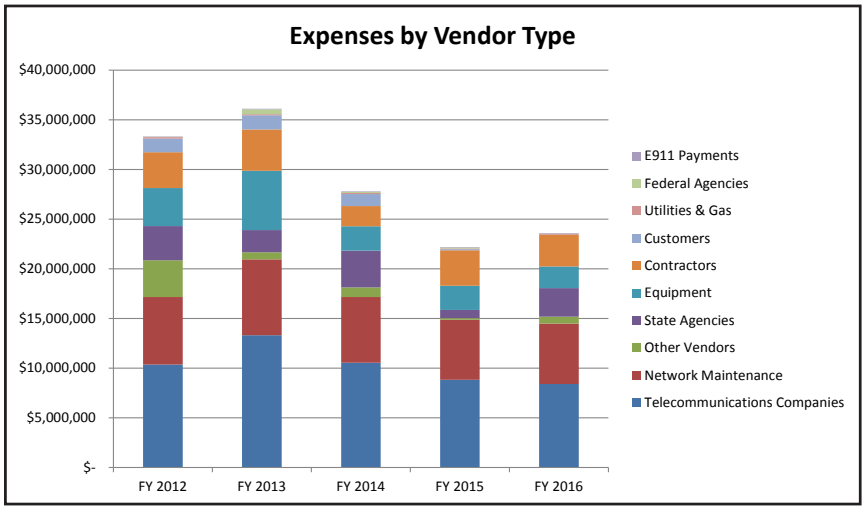
FY16 Financial Information

The ICN generated over $32M in revenues from billed services to authorized users. Approximately $2.2 M is appropriated from the state, half of which is the required state investment that allows the state to receive Universal Service Fund reimbursements on behalf of K-12 schools and libraries. The remaining amount is state agency telecommunications.

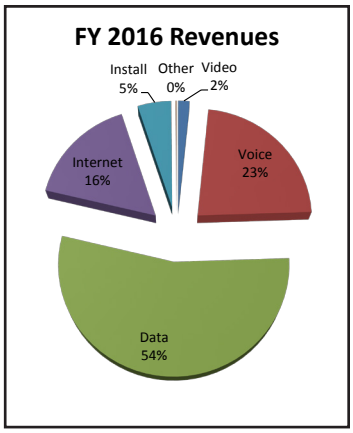


The "Expenses by Vendor Type" graph shows how the revenue generated is used in supporting the network. The largest ICN expense is related to the cost of the "last-mile" connections that are leased from telecommunications companies.





* Expenses to outside vendors only - excludes payroll and employee reimbursements



ICN's financial statements are shown using Generally Accepted Accounting Principles (GAAP). As a government entity in a fee-for-service environment, ICN uses accrual accounting with a measurement focus emphasizing the matching of revenues with costs of services including depreciation of assets such as network equipment and fiber. Most other State of Iowa agencies use the modified accrual accounting method with a measurement focus emphasizing control and accountability over the raising and spending of public monies.

Iowa Communications Network

Statement of Net Assets

As of June 30, 2016
(Unaudited)

ASSETS	
Cash & Cash Equivalents	$14,522,509
Accounts Receivable	4,595,832
Interest Receivable	33,179
Inventory	2,283,719
Total Current Assets	21,435,239
Unexpended Appropriations	6,569,877
Unexpended BTOP Cash	2,918,404
Fixed Assets(Net)	14,268,521
Prepaid Expenses	553,455
Other Assets	13,952
Total Deferred outflows of resources	1,428,317
TOTAL ASSETS	$47,187,765

LIABILITIES	
Accounts Payable & Accruals	2,810,566
Sick Leave Incentive Program - Retirees	25,994
Unearned Revenue	2,175,406
Short-Term Compensated Absences	758,144
Sick Leave Incentive Program - Employees	115,154
Total Current Liabilities	5,885,264
LT Sick Leave Incentive Program - Retirees	27,964
Long-Term Compensated Absences	48,702
LT Sick Leave Incentive Program - Employees	616,642
Accrued Sick Leave	83,864
Other Post-Employment Benefits	508,707
Net Pension Liabilities	4,705,709
Total deferred inflows of resources	1,392,828
Total Long-Term Liabilities	7,384,416
Total Liabilities	13,269,680

FUND EQUITY	
Retained Earnings	33,918,086
Total Fund Equity	33,918,086
TOTAL LIABILITIES & FUND EQUITY	$47,187,765

Iowa Communications Network

Statement of Revenues, Expenses & Changes in Equity

For the Fiscal Year Ended June 30, 2016

(Unaudited)

REVENUES

Operating Revenues:

Voice Services	$7,508,902
Data Services	22,887,423
Video Services(Billed)	535,361
Installation Services	1,605,336
Equipment Sales	6,455
Other Revenues	*108,823*
Bad Debt Expense	*(68,904)*
Total Operating Revenues	*32,583,396*

EXPENSES

Direct Expenses:

Voice Costs	2,172,119
Data Costs	5,133,130
Video Costs	4,523
Installation Costs	1,041,753
Total Direct Expenses	*8,351,526*
Gross Operating Gain (Loss)	*24,231,870*

Operating Expenses:

Network Equipment	1,116,809
System Maintenance	7,817,817
System Utilities Costs	135,246
Outside Plant Costs	922,068
System Repair Maintenance	216,752
Other System Costs	282,864
Network Installation Costs	633,445
Loss on Inventory & Fixed Asset Disposal	135,292
Depreciation Expense	2,994,798
Total Operating Expenses	*14,255,090*
Net Operating Gain (Loss)	*9,976,780*

General & Administrative Expenses:

Personnel	9,597,707
Travel	142,658
Administrative Services	266,615
Rent	180,714
Professional Fees	393,480
Other General & Administrative Expenses	191,575
Total General & Administrative Expenses	10,772,750
	-
Net Operating Gain (Loss) Before Non-Operating Income & Transfers	*(795,970)*

NON-OPERATING REVENUES (EXPENSES)

Transfer from State of Iowa for capital appropriation	2,249,183
Investment Income	91,700
Net Non-Operating Revenues	2,340,883
Net Gain (Loss) Before Contributions and Transfers	1,544,913
Change in Contributed Capital	(64,031)
Change in Net Assets	*1,544,913*
Beginning Net Assets	*32,089,226*
Total Net Assets	*$33,634,139*

* Operating Loss does not include Non-Operating Revenues, see page 15.

Iowa Communications Network

Statement of Cash Flows (Unaudited)

For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from customers	$33,056,872
Cash paid for goods and services	(22,579,320)
Cash paid for salaries and benefits	(9,517,267)
Net cash provided by operating activities	*960,285*
Cash flows from non-capital financing activities:	
Transfer from State of Iowa general fund	530
Transfer from State of Iowa for capital appropriation	2,248,653
Net cash provided by non-capital financing activities	*2,249,183*
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,146,546)
Net cash provided by (used in) capital and related financing activities	*(1,146,546)*
Cash flows from investing activities:	
Interest received on investments	81,627
Net cash provided by (used in) investing activities	*81,627*
Net increase (decrease) in cash & cash equivalents	2,144,549
Cash & cash equivalents at June 30, 2014	
Cash & cash equivalents at June 30, 2015	21,866,241
Total cash and cash equivalents end of period	*$24,010,790*
Unexpended funds for BTOP Match	*8,847,464*
Current cash and cash equivalents end of period	*15,163,326*
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	($1,092,134)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation Expense	2,994,798
Loss on disposal of capital assets and inventory	135,292
(Increase) decrease in accounts receivable	63,618
(Increase) decrease in due from other state agencies	145,544
(Increase) decrease in inventory	221,759
(Increase) decrease in prepaid expense	(114,320)
(Increase) decrease in deferred revenue	(316)
Increase (decrease) in accounts payable	(1,204,034)
Increase (decrease) in due to other state agencies	(270,362)
Increase (decrease) in compensated absences	229,978
Increase (decrease) in pension expense	(149,538)
Total adjustments	*2,052,420*
Net cash provided by operating activities	*$960,285*

Iowa Communications Network

Operating Budget Proposal

For the Fiscal Years Ending June 30, 2017 (Budget) and June 30, 2018 (Proposed Budget)

REVENUES	FY 2016 Actual	FY 2017	FY 2018
Voice Revenue	$7,508,903	$6,116,900	$7,898,804
Installs	140,577	6,000	6,000
Video Revenue	622,655	461,204	308,194
Installs	-	-	-
Transport Revenue	17,229,373	17,381,861	17,750,437
Installs	414,882	371,632	447,850
Internet Revenue	5,366,022	5,617,924	5,617,924
Installs	131,255	-	-
Cyber Security Revenue	263,488	114,718	114,718
Outside Plant Revenue	1,001,462	856,377	925,099
Network Professional Service Revenue	-	325,846	25,000
TAC Services	-	30,000	30,000
Interest Revenue	91,700	55,429	65,838
Other Revenue	32,439	27,684	18,803
Gross Revenues	$32,802,756	$31,365,576	$33,208,668
DIRECT EXPENSES			
Toll	1,315,792	1,003,229	853,307
Switched Access	541,333	352,371	238,823
Managed Voice Service	113,286	600,000	2,280,000
Other Voice Direct Expenses	201,709	118,484	44,007
Installs	270,526	133,941	147,500
Video Direct Expenses	9,708	3,605	3,605
Installs	-	-	-
Transport Expenses	5,019,759	4,965,582	5,076,892
Installs	171,524	162,553	166,500
Internet Expenses	106,891	318,856	318,856
Installs	-	-	-
TAC Expenses	-	25,000	25,000
Outside Plant Expenses	599,704	632,269	712,500
Total Direct Expenses	$8,350,231	$8,315,889	$9,866,990
Gross Margin	$24,452,525	$23,049,687	$23,341,678
OPERATING EXPENSES			
System Maint. & Technical Support	7,860,583	7,513,658	7,752,066
Outside Plant Expenses	922,067	1,205,623	1,061,770
Other Operating Expenses	1,799,962	1,231,090	1,314,143
Total Operating Expenses	$10,582,612	$9,950,371	$10,127,979
Net Margin	$13,869,913	$13,099,315	$13,213,699
GENERAL & ADMINISTRATIVE			
Personnel Services	9,747,245	9,948,933	9,888,279
Travel	142,658	172,523	145,011
Data Processing, ITE	106,109	139,732	112,000
Other Administrative Expenses	531,482	716,801	501,540
Professional Fees	393,230	1,309,068	1,229,829
Total G, S, and A Expenses	$10,920,724	$12,287,057	$11,876,660
Net Cash (Deficit) from Operations	$2,949,189	$812,258	$1,337,040
CAPITAL BUDGET			
Capital Expenditures	1,142,750	5,957,000	3,925,000
Net Equipment Purchases	$1,142,750	$5,957,000	$3,925,000
REINVESTMENT OF EQUITY	-	$5,144,743	$2,587,961
Net Cash (Deficit)	$1,806,439	1	1

The FY17 budget deficit is the result of proposed spending on network core upgrades that are necessary to maintain a strong, fast and flexible network. The funding for the expected costs for this phase of the core network upgrade will be mostly provided by re-investment of equity realized in prior fiscal years.

The FY18 budget proposal is submitted in the previous year's fall budget period and the revenue and expense categories are listed by the reporting methodology used in prior fiscal years up through FY17. The FY18 spring budget proposal will reflect the new revenue and expense reporting methodology adopted for FY18 and beyond which will change some cost centers and add others. The new methodology will also change the application and allocation of expenses to reflect a better matching of those to revenues according to new and adjusted cost centers.

Iowa Communications Network

Lead Schedule Budget to Actual

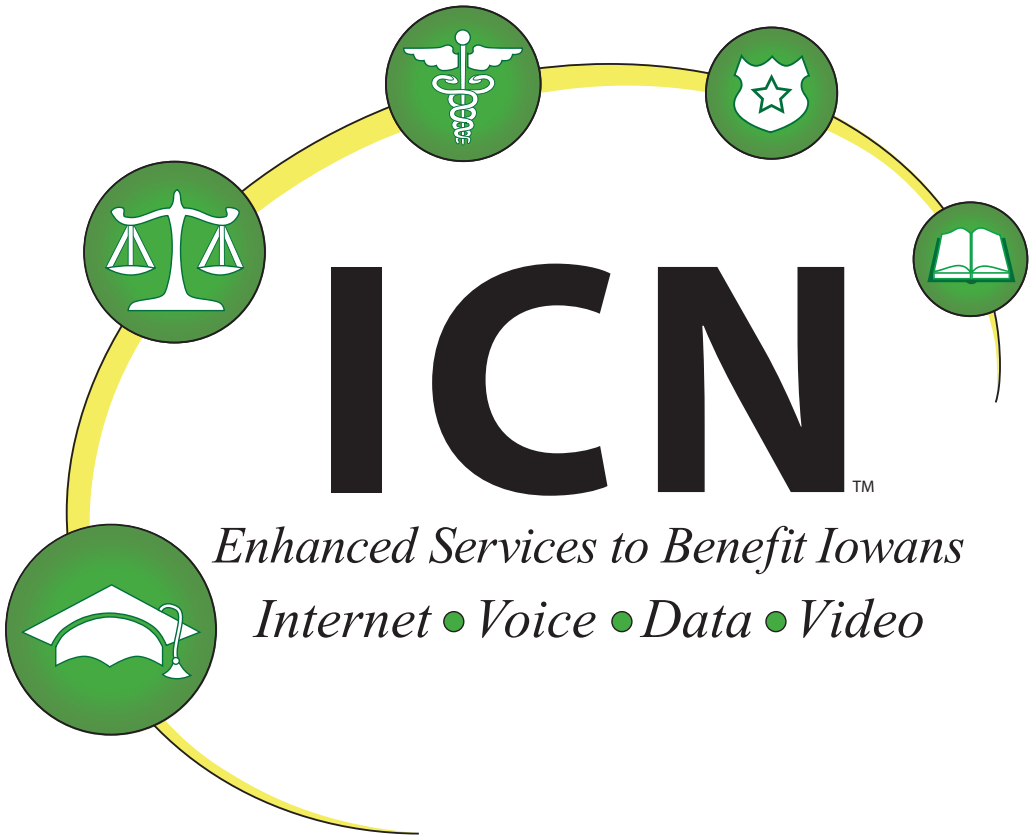
For the Fiscal Year Ended June 30, 2016

Operating Revenues	YTD Actual	YTD Budget
Video	$530,051	$711,230
Voice Services	7,508,902	6,086,644
Data Services	22,951,486	21,901,140
Installation Charges	1,605,336	1,055,561
Other	115,278	148,465
Interest Income	91,700	31,606
Gross Revenues	32,802,753	29,934,646
Direct Expenses		
Video Direct Expenses	4,523	9,708
Voice Expenses (Toll/Switched Access)	2,172,119	1,906,487
Data Direct Expenses	5,133,130	5,774,440
Installation Expenses	1,019,468	834,547
Total Direct Expenses	8,329,240	8,525,182
GROSS MARGIN	$24,473,513	$21,409,464
Indirect Expenses		
System Maintenance, Support & License	7,509,322	7,216,314
Outside Plant Expenses	922,068	1,402,812
Other Operating Expenses	1,121,235	949,885
Total Indirect Expenses	9,552,625	9,569,011
NET OPERATING INCOME/(LOSS)	$14,920,888	$11,840,453
General & Administrative Expenses		
Personnel Services	9,517,267	9,743,172
Travel Expenses	258,691	140,165
Other Administrative Expenses	631,359	785,604
Professional Fees	393,480	1,094,765
Total General & Administrative Expenses	10,800,797	11,763,706
NET CASH(DEFICIT) FROM OPERATIONS	4,120,091	76,747
Equipment Expenditures		
Network Equipment	1,027,811	1,845,000
Net Equipment Purchases	1,027,811	1,845,000
NET CASH(DEFICIT) FROM OPERATIONS & EQUIPMENT GROWTH	$3,092,280	$(1,768,253)

This report is used as an internal cash management tool and is not based on full accrual accounting. It includes only revenues from operating activities plus some revenue from non-operating activities that are deposited in operating cash such as interest income. It does not contain any non-cash expenses such as depreciation. All revenues and expenses from appropriated monies and grant awards have been excluded.

Annual Report

FY2016



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