

Annual Report  
FY2014



# Iowa Communications Network

*Enhanced Services to Benefit Iowans*

Internet | Voice | Data | Video



[www.icn.iowa.gov](http://www.icn.iowa.gov)

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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

RIC LUMBARD, EXECUTIVE DIRECTOR

GOVERNOR TERRY E. BRANSTAD    LIEUTENANT GOVERNOR KIM REYNOLDS

November 19, 2014

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 (ITTC) overseeing the Iowa Communications Network (ICN), I am pleased to submit the Fiscal Year 2014 Annual Report for your review, and trust you will agree that the ICN remains a valuable asset to Iowans. Throughout the report you will find stories explaining how network services (Internet, data, video, and voice) have evolved and continue to provide exceptional value to our authorized users. ICN's infrastructure is the foundation for the following:

- Meeting the continually increasing broadband needs of K-12 education.
- Offering Iowans the opportunity to compete globally in education through online curriculum.
- Empowering rural healthcare facilities to provide access to specialty medical services to their community.
- Delivering a secure, controlled access network for public safety communications.

Additionally, ICN is keenly aware of the importance of broadband in the lives of Iowans. ICN is moving forward with a 'Broadband Matters' initiative highlighting the need for true high speed broadband for education, public safety, healthcare, and government. ICN's leadership is embracing this awareness and supports discussions regarding how the State can facilitate delivery of affordable and efficient broadband in all areas of the state. ICN will continue to work at strengthening our relationship with the private sector in an effort to encourage and support their effort to implement innovative ways of delivering broadband services that improve services to our authorized users as well as to all Iowans.

In Fiscal Year 2015, the Commission and ICN staff plan to expand utilization of public/private partnerships in a number of areas.

- Beginning January 1, 2015, ICN begins a new public/private partnership with Fiberutilities Group, an Iowa based company who will manage ICN's Network Operations Center and related field services.
- Technical consultations are underway to evaluate the State's infrastructure to determine Iowa's portion of the country's first nationwide broadband network dedicated to public safety. This initiative will only be successful with a strong public/private relationship.
- During Fiscal Year 2015 ICN will be implementing a managed voice solution for state agency telecommunications and for other authorized users.

This is an exciting time for the State and the ICN given the number of positive ongoing initiatives that will benefit the users of the ICN. On behalf of the Commission and all ICN employees, we appreciate the opportunity to be of service.

Sincerely,

A handwritten signature in black ink that reads 'Richard L. Bruner'. The signature is written in a cursive style with a large initial 'R'.

Richard L. Bruner  
Chair  
Iowa Telecommunications and Technology Commission

### IOWA COMMUNICATIONS NETWORK

# Iowa Communications Network

## Annual Report FY14

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The Iowa Communications Network (ICN) is the country's premier distance learning and state government Network, committed to continued enhancements for distance learning and providing Iowans with convenient, equal access to education, government, and telemedicine.

### **Mission**

Through Iowa's broadband infrastructure and partnerships, broker access for Iowans to acquire the highest quality education, medical, judicial, and governmental telecommunications services.

### **Iowa Telecommunications and Technology Commission Members**

Richard Bruner, Chair

Kelly Dolan Lange | Kathleen Kohorst | Timothy Lapointe | Mary Sellers

Mary Mosiman, Ex-Officio

### **2014 Legislative Session Recap**

The Legislature adjourned on May 2, 2014. The following were the bills of interest to ICN:

**SF 2347** included an appropriation of \$992,913 to the Department of Education to provide technical assistance for network classrooms, planning and trouble shooting for Local Area Networks (LAN), scheduling of video sites, and other related support activities. This appropriation was made to the ITTC during the last two fiscal years and to Iowa Public Television prior to that. The bill was signed into law by Governor Branstad on May 30.

**SF 2349** included appropriations of \$2.7 million to the Department of Education (DOE) for Part III lease payments and \$2.2 million to the ITTC for equipment replacement, as well as language to allow the Commission to enter into contracts in excess of the contract limitation amount established in Iowa Code section 8D.11. The bill was signed into law by Governor Branstad on May 30.

**HF 2288** concerned various reporting requirements applicable to State agencies and other requirements associated with the Department of Administrative Service. The bill eliminated the yearly ICN Savings Report. The bill was signed into law by Governor Branstad on March 26.

### **ICN contracts exceeding \$1 million during FY 2014, as required by the Code of Iowa, Section 8D.3(3)(f).**

12-031 Inmate Calling Solutions (ICS). This contract was executed 10-8-13. The ICN is the administrator of the contract on behalf of Department of Corrections. The contract will most likely exceed \$1 million, however, this is a pass through for the ICN. The monthly ICS fee is paid by DOC through ICN.

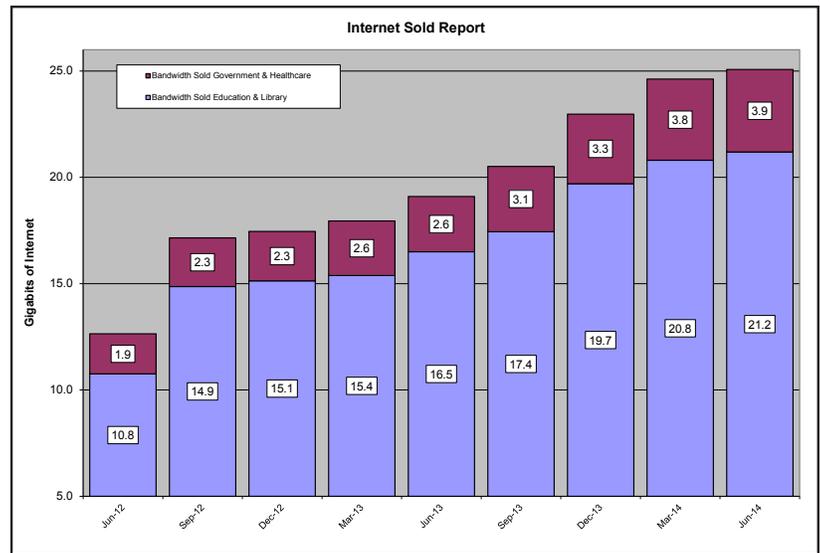


# ICN Services Update

## Internet

ICN's Internet sales continue to climb at a steady pace, more than doubling in the past two years. This reflects the demand and need for greater access to high-speed Internet by our authorized users.

- Twenty-eight education users requested an increase in their Internet/data capacity.
- The amount of Internet purchased by customers (authorized users) has increased 98.4 percent over the past two years (12.6Gb to 25Gb).
- Educational entities use 84.5 percent of the Internet the ICN provides (21.2Gb education, 3.9Gb non-education).
- Of the 12.4Gb increase over the last two years, 83.9 percent has been ordered by educational entities (10.4Gb education, 2Gb non-education).
- The 1:1 program develops new innovative teaching and learning practices with iPads, tablets, and laptops. ICN provides many Iowa schools with services necessary for the program.



## Online Opportunities with PBS LearningMedia for ICN Users

ICN announced its involvement with IPTV's PBS LearningMedia (<http://iptv.pbslearningmedia.org/>), offering enhanced educational opportunities for educators and students in Iowa. We heard from educators that they are looking for more online content to integrate into their classrooms to engage their students.

This resource is the next generation of digital media platform for educators; integrating online videos, audio content, lesson plans, and media resources into classrooms.

This effort builds on the ICN's dedication to education that has been demonstrated by providing high-speed Internet and data to schools where the Network is connected. Likewise the effort builds on IPTV's reputation as a producer and distributor of highly trusted and high quality educational content.

PBS LearningMedia is a free, on-demand media service for educators that provides an easy access to classroom-ready, curriculum-target, multi-platform resources. This program is built to support the needs of today's classroom environment. Short segments and teachable moments provide interactive learning exercises, and help position educators on the leading edge of technology use in the classrooms.

# ICN Services Update

## Video

ICN produced 59,721 full motion video hours and 50,230 IP video hours in FY14. The top three video groups in FY14: community colleges, K-12 education, and higher education.

### IP Video@LightSpeed™

In FY14, ICN launched its release of its IP Video@LightSpeed™ (V@LS) service. Users experience high video quality within a flexible room layout with open microphones and high definition cameras.

Educational users benefiting from this service include:

Atlantic High School	Independence High School	Iowa State University
Belle Plaine High School	MFL-Mar-Mac High School	Hawkeye Community College
Bellevue High School	Postville Middle School	Indian Hills Community College (10)
Cascade High School	Waukon High School	Iowa Central Community College (3)
Decorah High School	W. Union-N. Fayette High School	Kirkwood Community College
Durant High School	Bettendorf AEA	Northeast Iowa Community College (6)
Elgin-Valley High School	Elkader AEA	Western Iowa Tech Community College
Garner High School		Mitchellville Correctional Facility
Guttenberg-Clayton Ridge High School		

### IP Video Conferencing Released

ICN unveiled its IP video conferencing technology using three multipurpose rooms located in the Grimes State Office Building in Des Moines. The video rooms are outfitted with flat screen monitors, high-definition cameras, open microphones, and portable iPad room controllers. All three rooms provide the flexibility to be used in a non-video conference environment. The rooms give users a visual as to how effortless the functionality is to conduct a video conference.



ICN's Video@LightSpeed™ (V@LS) 1.0 is an introductory IP video service, which can be designed to reach almost any location in Iowa from ICN's Polycom® Collaboration platform. Unscheduled (ad-hoc) point-to-point calls are available between IP sites. The service provides synergy for sites which are migrating from the legacy MPEG video to IP, or those which require interoperability with MPEG sites during ICN's transition to IP. V@LS provides a subscription-based service that will allow for unlimited/unmetered hours of scheduled and mixed video conferencing.

This first release of V@LS service encompasses all the common user features popular with ICN customers for decades, while adding the flexibility and sleekness of an Ethernet-based, video over IP solution, bringing the best of cutting-edge technology to even the most rural areas of Iowa.

# ICN Services Update

## Voice (Phone)

### Department of Corrections Migrates Voice Platform

#### OpenScape Voice

The Iowa Department of Corrections (DOC) migrated from managing their own telephone system, at two of their locations, to an ICN managed voice system. During the first quarter of 2014, ICN implemented the OpenScape Voice Platform at the Correctional Institution for Women in Mitchellville and the Iowa State Penitentiary in Fort Madison. Both facilities are active for administrative telephone traffic and inmate calling traffic using the ICN. The offender calling system provides the opportunity for inmates to connect with their families. DOC anticipates the Fort Madison and Mitchellville voice projects to be blueprints for the other institutions voice system needs.



Agencies converted to Voice over IP: Iowa Public Television, Iowa Homeland Security & Emergency Management Division, Iowa Law Enforcement Academy, Iowa Finance Authority, Department of Corrections.

#### Offender Calling System

Nearly 15 years ago, ICN partnered with DOC to manage the offender calling system (OCS). In 2013, ICN and DOC searched for a new vendor to replace the current platform. A feature that the new calling system needed to still include was recording of local and long-distance calls, captured, and transmitted using the Network. The purpose of the OCS is to make available to the designated offender population access to, and use of, a telephone during certain hours of the day to make pre-paid phone calls. This access is supervised and monitored by DOC staff. The cutover for the new offender calling system was implemented 4th quarter of 2013 at Fort Madison, Mitchellville, and the additional six DOC institutions. The projects were successful, and we are looking forward to continuing the partnership with DOC.

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### ICN Conferencing Service Gives Users Communication Flexibility

ICN's Reservationless-Plus<sup>SM</sup> worldwide conferencing service provides users on-demand 24/7 conferencing without the need to make a reservation. Leading a conference is as simple as dialing a permanent number and entering a conference code. A variety of features are offered to customize the call. Standard options include: record & playback, individual and group mute/unmute, operator assistance (if needed), and private roll call.

ICN's Reservationless-Plus<sup>SM</sup> can also be combined with web features for an integrated experience that puts you in control of your conference with the click of your mouse. We introduced SmartMeet<sup>TM</sup> letting users stay connected anywhere without using your minutes plan. SmartMeet, is a FREE Reservationless-Plus<sup>®</sup> mobile application for iPhone.



# Federal Broadband Grant Finalized

In June 2013, The ICN completed its federal broadband grant that enhanced its estimated 3,400-mile state-owned portion of the network infrastructure by increasing bandwidth to all 99 counties with a 10 Gbps (gigabytes per second) capable backbone. Switching equipment was added to selected K-12 and library sites, now offering the capability for them to have up to 1 Gbps of data service at the endpoints.

Benefits of the grant included removing legacy equipment (553 existing sites were upgraded), simplifying the process of troubleshooting equipment, providing additional bandwidth to edge points, and cost effectively bringing authorized users to the network at the bandwidth capacity their applications require. The project included 231 new sites impacting 429 customer locations and 824 equipment installations. Customers who had existing leased connections (typically 1.5 Mb speed) were able to be increased to 10 Mb immediately on turn-up, with growth potential exceeding 100Mb.

Decorah Metronet and the Meskwaki Nation were sub-recipient partners of the grant, and successful with the completion of their portion of the BTOP enabled networks. The federal grant provided five miles of middle-mile fiber routes to connect the Meskwaki Nation's tribal community anchor institutions (settlement school, tribal clinic, and tribal center), and in a separate initiative the tribe itself deployed over 14 miles of FTTH (fiber to the home) fiber routes to approximately 196 residences. The Decorah Metronet installed just over eight miles of fiber to government and education entities in Decorah.

The Next Generation 9-1-1 (NG911) service of the Iowa Homeland Security and Emergency Management (IHSEM) Division also benefited, providing 88 NG911 connections at 85 separate facilities across Iowa. The NG911 deployment consisted of a highly available emergency services IP Network connecting all Public Safety Answering Points (PSAPs) in the state to two geographically redundant call logic centers.

Due to being under budget, ICN was also able to purchase higher capacity routers for some locations to deliver 10 Gbps as opposed to their original 1 Gbps.

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## ICN Users Received Connect Iowa's Broadband Hero Award

Connect Iowa held their second annual broadband summit on June 16, 2014, in Ankeny, IA. Governor Branstad attended the event and reiterated his commitment to expanding broadband through out the State. A few highlights from the conference included: a legislative panel discussion, wireless conversations explaining cellular technology and what it can do for broadband, and various breakout sessions discussing practices in E-Health, FirstNet, and School & Libraries technology transformation. Two ICN users received the Broadband Hero Award: The Meskwaki Nation Tribe and John Carver, District Superintendent with the Howard-Winneshiek Community School District.

There was a strong presence from John Deere, which demonstrated the need for broadband in rural America. John Deere has implemented advanced technology in their tractors and combines. As a result, users are able to regulate their seed and herbicide prescriptions online, check weather and download other information right inside the tractor. The rural broadband story took on a different view, when they explained that the future of agriculture in Iowa is going to require broadband in the middle of fields.

# Nationwide Public Safety Network

A public safety communications initiative has been underway since 2012, when President Obama signed into law provisions to fund and govern a nationwide public safety broadband network. The goal is when natural disasters or other emergencies occur anywhere in the country, the first high-speed network dedicated to public safety will enable local, state, regional, and national emergency responders to communicate using a single network. The interoperability will incorporate wireless, fiber, cellular, and radio systems, which will solve communication challenges faced by emergency responders in different jurisdictions. ‘Interoperability’ means the ability of public safety and public services personnel to communicate and to share data on an immediate basis, on demand, when needed, and when authorized. Depending on where the critical event happens will determine the infrastructure functionality used. FirstNet, an independent authority within the Commerce Department’s National Telecommunications and Information Administration (NTIA), is heading the national effort to implement the public safety network that will be built across the United States.

In March 2014, ICN leadership met with FirstNet officials to hear about Iowa’s effort in the nationwide process. Iowa is undergoing the state consultation phase, with the Iowa Statewide Interoperable Communications System Board (ISICSB) leading the charge. The board has been designated by Governor Branstad as the primary point of contact for Nationwide Public Safety Broadband Network (NPSBN).



To learn more about the work being completed by the ISICSB visit <http://www.isicsb.iowa.gov/>. For information regarding the national FirstNet initiative visit <http://www.ntia.doc.gov/category/firstnet>.

## Who is Authorized to Use the ICN?

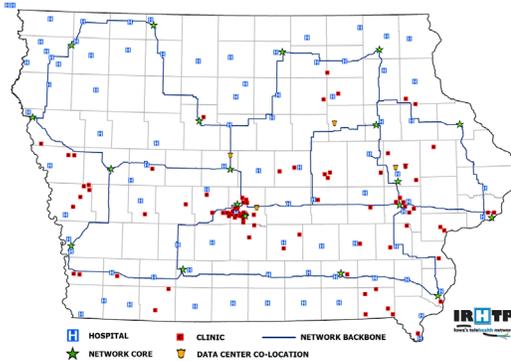
Authorized User Type *	Number of Users
Higher Education (Regents Universities, Community Colleges, Independent Colleges and Universities)	47
K-12 Schools (Public and Private)	498
Area Education Agencies	9
State Agencies	39
Libraries	544
Hospitals & Physician Clinics	157
Miscellaneous (Federal Agencies, Polk County)	14
<b>TOTAL</b>	<b>1,308</b>

\* ICN does not provide services to all authorized users. Authorized User Type reflects entities classified as authorized users in the Code of Iowa, Chapter 8D.

# Healthcare Update

## Healthcare Users Continue to Gain Broadband Benefits

An effort beginning in January 2014 for ICN is connecting the second phase of healthcare users to the already established Iowa Rural Health Telecommunications Program (IRHTP) broadband fiber Network. Healthcare users can participate in the [FCC's Healthcare Connect Fund](#) (HCF) Program, which is the newest component of the Rural Health Care Program. Healthcare participants are eligible to receive up to a 65 percent subsidy for eligible expenses related to broadband connectivity, broadband management services, installation, and equipment enabling broadband.



Between 2009-2014, 190 healthcare locations were added to the IRHTP broadband network. A total of 90 healthcare sites were originally funded by the FCC's pilot project, 100 sites have been added to the IRHTP network since then, and 23 sites have submitted orders to be connected. Current healthcare facilities are taking advantage of additional broadband capabilities, such as incorporating virtual data warehouse storage options for their medical records needs, while also using the storage abilities to host email, Office 365, or phone services.

Services that ICN can offer to healthcare users include: Private on-net or off-net Ethernet connections, PRI and dedicated circuits, Internet and bandwidth services, secondary Local Exchange Carrier (LEC) connections for carrier diversity, secondary Internet Service Provider (ISP) connections for ISP diversity, on-net connections to multiple data centers, 24/7/365 Network Operations Center telephone support, and one consolidated bill.

The valuable IRHTP broadband network is owned by a consortium of members that are affiliated with the Iowa Hospital Association.

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## Ft. Madison Community Hospital Benefits from Connectivity

Fort Madison Community Hospital was named one of the "Most Wired" hospitals for 2013 by Healthcare IT News. The hospital offers remote radiology readings, continuing education for staff, off-site data backup, remote accessibility for physicians using a provider portal to perform day-to-day functions, and connectivity for patients to make their stay more enjoyable.

Fort Madison is one of three facilities that participate in a radiology consortium that allows radiologists with varying specialties to read x-rays or get second opinions independent of their location. Shane Tapper, Director of Information Technology Services at Fort Madison says the ICN connectivity has allowed for a quick response when a nurse needs a doctor to give advice about a patient. "The physician can hop on a computer, establish secure access to the hospital, review an entire patient chart, see all of the recent results, and be able to suggest orders and take action, in a matter of minutes," said Tapper.

The hospital is connected using the Iowa Rural Health Telecommunications Program, which includes a consortium of Iowa rural and urban hospitals and the Iowa Hospital Association. The healthcare network uses the existing ICN fiber optic infrastructure for dedicated broadband.

# Outreach

## Commonwealth of Kentucky Officials Visit ICN

In February, government officials from the Commonwealth of Kentucky spent a day learning from ICN leaders and toured ICN's Network Operations Center located at Joint Forces Headquarters (JFHQ) in Johnston, IA. Five lead professionals from the Commonwealth of Kentucky Finance and Administration Cabinet and the Kentucky Department of Education learned basics of how the state's fiber Network is operated, along with the many benefits it brings to Iowans. Lori Hudson Flanery, Secretary of the Kentucky Finance and Administration Cabinet, said that the ICN model is interesting to her team, and that they learned a great deal from the visit.

“Kentucky has various geographical access issues, especially in the eastern part of the state, which makes it difficult to provide sufficient Internet connectivity and capacity to all areas of the state. Currently in Kentucky's center part of the state, where most of the population is located, there is a stronger economy and better fiber. Broadband throughout the state opens up possibilities for Kentuckians to connect with the world at the highest speeds available, allowing them to truly participate in today's global environment.”

Kentucky leaders have a desire to build and/or lease a middle mile network to serve Community Anchor Institutions (K-20 education, non-profit and public healthcare providers, nonprofit and public research institutions, state, county and municipal governments, libraries, museums and others) in the state.



Commonwealth of Kentucky visitors take a tour of the ICN Network Operations Center.

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## Giving Back to the Profession

On May 7, the ICN and Data Link Telecommunications teamed up to give back to the community by presenting fiber optic concepts to 35 ITT Technical Institute students. Ric Lumbard gave a lecture about the ICN's miles of fiber optic cable throughout the 99 Iowa counties, how the ICN serves the state through collaboration with its various partners, and how broadband matters in our everyday lives. The students are learning to become telecommunications professionals and are currently enrolled in the physical networking class offered at ITT-Tech.

“The collaboration between the ICN team and local colleges is a valuable opportunity to share knowledge, give students access to industry professionals, and give back to the profession,” said Jason Salts ITT Technical Institute Instructor.

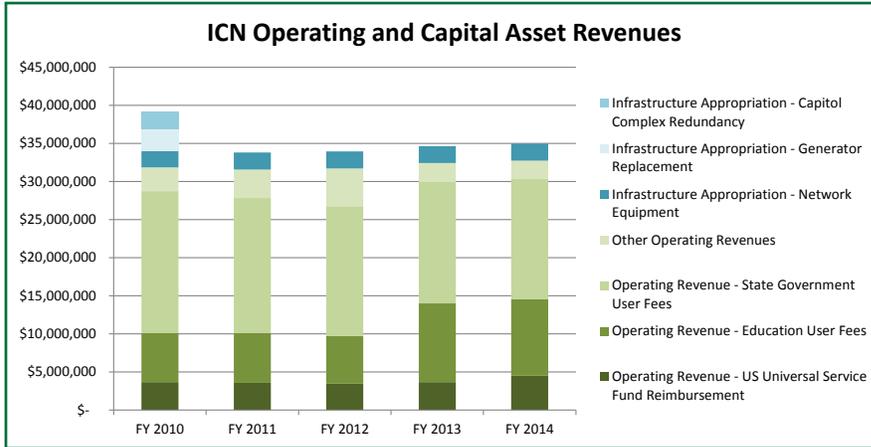
Lumbard explained, “Educating students about the types of fiber, demonstrating the importance of maintaining an infrastructure by splicing/fusing, and explaining different electronics, gives the next generation of powerful industry professionals the opportunity to hear and see firsthand the components of a network.”



Ric Lumbard speaking at ITT Tech class

# Iowa Communications Network

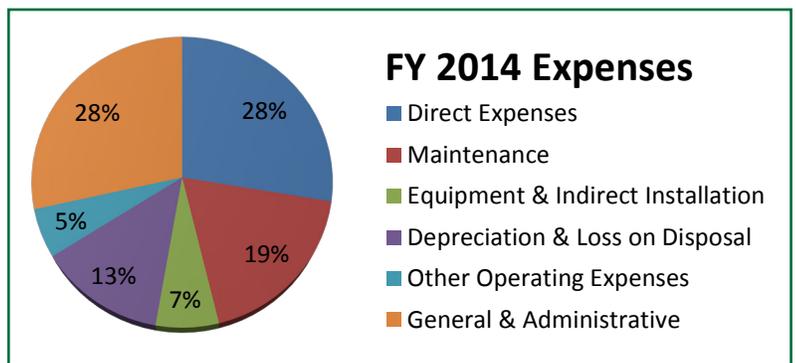
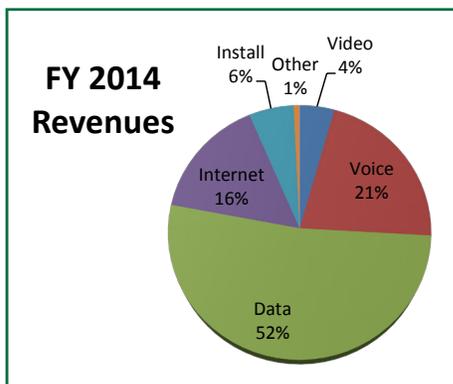
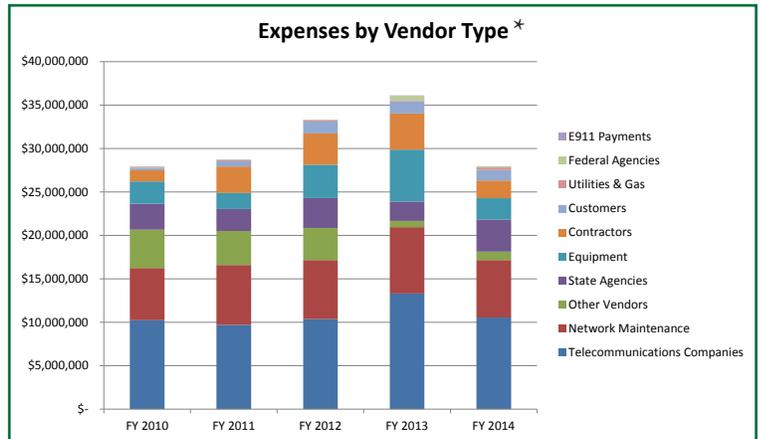
## FY14 Financial Information



The ICN generated over \$32M in revenues from billed services to authorized users. Approximately \$2 M is appropriated from the state, half of which is the required contribution to maintain our status as a common carrier under Universal Service Fund rules. The remaining appropriation is intended for network equipment replacements and upgrades.

The expenses demonstrate the monies that go from the Network, which are received as user fees, and then are distributed. The largest percentage of ICN expenses is a result of the “last-mile” connections paid to 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, 2014

(Unaudited)

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### ASSETS

Cash & Cash Equivalents	\$10,732,735
Accounts Receivable	5,185,299
Due From Federal Agencies	0
Interest Receivable	5,648
Inventory	2,288,795
<b>Total Current Assets</b>	<b>\$18,212,477</b>
Unexpended Appropriations	6,080,585
Unexpended BTOP Cash	2,918,404
Fixed Assets(Net)	18,414,697
Prepaid Expenses	190,853
Other Assets	0
<b>TOTAL ASSETS</b>	<b>\$45,817,016</b>

### LIABILITIES

Accounts Payable & Accruals	4,297,913
Sick Leave Incentive Program - Retirees	19,335
Unearned Revenue	2,501,215
Short-Term Compensated Absences	637,982
Sick Leave Incentive Program - Employees	70,569
State Employee Retirement Incentive Program	45,170
<b>Total Current Liabilities</b>	<b>\$7,572,184</b>
LT Sick Leave Incentive Program - Retirees	6,252
Long-Term Compensated Absences	62,509
LT Sick Leave Incentive Program - Employees	513,516
Long-Term State Employee Retirement Incentive Program	0
Accrued Sick Leave	62,642
Other Post-Employment Benefits	367,650
<b>Total Long-Term Liabilities</b>	<b>1,012,569</b>
<b>TOTAL LIABILITIES</b>	<b>\$8,584,754</b>
<b>NET ASSETS</b>	
Retained Earnings	37,232,262
<b>TOTAL NET ASSETS</b>	<b>\$37,232,262</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$45,817,016</b>

# Iowa Communications Network

## Statement of Revenues, Expenses & Changes in Equity

For the Fiscal Year Ended June 30, 2014  
(Unaudited)

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### REVENUES

Operating Revenues:	
Voice Services	\$7,033,007
Data Services	22,142,755
Video Services(Billed)	1,445,038
Installation Services	1,862,942
Equipment Sales	4,201
Other Revenues	132,266
Bad Debt Expense	110,201
<b>Total Operating Revenues</b>	<b>\$32,730,411</b>

### EXPENSES

Direct Expenses:	
Voice Costs	2,446,287
Data Costs	5,429,091
Video Costs	1,215,926
Installation Costs	915,844
<b>Total Direct Expenses</b>	<b>\$10,007,148</b>
<b>Gross Operating Gain (Loss)</b>	<b>\$22,723,263</b>

Operating Expenses:	
Network Equipment	1,809,444
System Maintenance	6,719,351
System Utilities Costs	143,441
Outside Plant Costs	1,583,928
System Repair Maintenance	125,751
Other System Costs	122,495
Network Installation Costs	565,795
Loss on Inventory & Fixed Asset Disposal	160,966
Depreciation Expense	4,656,469
<b>Total Operating Expenses</b>	<b>\$15,887,639</b>
<b>Net Operating Gain (Loss)</b>	<b>\$6,835,624</b>

General & Administrative Expenses:	
Personnel	8,392,965
Travel	115,333
Administrative Services	244,562
Rent	117,531
Professional Fees	1,333,675
Other General & Administrative Expenses	117,589

**Total General & Administrative Expenses** **\$10,321,655**

**Net Operating Gain (Loss) Before Non-Operating Income & Transfers** **\$(3,486,031)**

### NON-OPERATING REVENUES (EXPENSES)

Transfer from State of Iowa for capital appropriation	2,306,872
Federal Grant - BTOP	193,333
Investment Income	30,771
Other Non-Operating Expenses(net)	(262,776)

**Net Non-Operating Revenues** **\$2,268,201**

**Net Gain (Loss) Before Contributions & Transfers** **(\$1,217,831)**

**Change in Contributed Capital** **(\$64,031)**

**Change in Net Assets** **(\$1,217,831)**

**Beginning Net Assets** **\$38,450,093**

**Total Net Assets** **\$37,232,262**

# Iowa Communications Network

## Statement of Cash Flows (Unaudited)

For the Fiscal Year Ended June 30, 2014

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Cash flows from operating activities:	
Cash received from customers	\$31,867,897
Cash paid for goods and services	(25,763,899)
Cash paid for salaries and benefits	(8,473,988)
<b>Net cash provided by operating activities</b>	<b>(2,369,990)</b>
Cash flows from non-capital financing activities:	
Transfer from State of Iowa general fund	990,885
Transfer from State of Iowa for capital appropriation	1,315,987
Transfer to other state funds for grant contribution	(262,776)
Federal Grant-BTOP for capital grant	193,333
<b>Net cash provided by non-capital financing activities</b>	<b>2,500,205</b>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,269,695)
Capital contributions	0
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(1,269,695)</b>
Cash flows from investing activities:	
Interest received on investments	35,122
<b>Net cash provided by (used in) investing activities</b>	<b>35,122</b>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>(1,104,358)</b>
Cash & cash equivalents at June 30, 2013	
Cash & cash equivalents at June 30, 2014	20,836,082
<b>Total cash and cash equivalents end of period</b>	<b>\$19,731,724</b>
Unexpended funds from State of Iowa capital appropriations	6,080,585
Unexpended funds for BTOP Match	2,918,404
<b>Current cash and cash equivalents end of period</b>	<b>10,732,735</b>
Reconciliation of operating loss to net cash provided by operating activities:	
<b>Operating loss</b>	<b>(\$3,486,031)</b>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation Expense	4,656,469
Loss on disposal of capital assets and inventory	160,966
(Increase) decrease in accounts receivable	(765,169)
(Increase) decrease in due from other state agencies	474,893
(Increase) decrease in inventory	268,874
(Increase) decrease in prepaid expense	187,594
(Increase) decrease in deferred revenue	(572,238)
Increase (decrease) in other grant contributions	(262,776)
Increase (decrease) in accounts payable	(2,261,057)
Increase (decrease) in due to other state agencies	(690,493)
Increase (decrease) in compensated absences	(81,023)
<b>Total adjustments</b>	<b>1,116,041</b>
<b>Net cash provided by operating activities</b>	<b>(\$2,369,990)</b>

# Iowa Communications Network

## Operating Budget Proposal

For the Fiscal Years Ending June 30, 2016 and June 30, 2017

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	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
	<b><u>Budget</u></b>	<b><u>Budget Proposal</u></b>	<b><u>Budget Proposal</u></b>
<b><u>REVENUES</u></b>			
Voice Revenues	\$6,429,880	\$6,429,880	\$6,429,880
Data Revenues	22,147,370	21,757,145	21,757,145
Video Revenues	1,196,781	987,187	921,126
Installation Charges	1,314,050	1,043,561	1,054,901
Other Revenues	193,595	196,673	199,814
	<b><u>Gross Revenues</u></b>	<b>\$30,414,446</b>	<b>\$30,362,866</b>
<b><u>DIRECT EXPENSES</u></b>			
Toll	827,232	827,232	827,232
Switched Access	712,268	712,268	712,268
Other Voice Direct Expenses	778,744	778,744	778,744
Data Circuit Expenses	5,805,258	5,672,445	5,672,445
Video Direct Expenses/Other expenses	243,977	238,055	58,068
Installation Expenses	2,773,059	834,547	855,411
	<b><u>Total Direct Expenses</u></b>	<b>\$9,063,291</b>	<b>\$8,904,168</b>
	<b><u>Gross Margin</u></b>	<b>\$21,351,155</b>	<b>\$21,458,698</b>
<b><u>OPERATING EXPENSES</u></b>			
System Maintenance and Technical Support	7,257,964	7,187,815	7,376,337
Outside Plant Expenses	1,673,864	1,710,134	1,752,887
Other Operating Expenses	884,505	831,463	835,868
	<b><u>Total Operating Expenses</u></b>	<b>\$9,729,412</b>	<b>\$9,965,092</b>
	<b><u>Net Margin</u></b>	<b>\$11,621,743</b>	<b>\$11,493,606</b>
<b><u>GENERAL AND ADMINISTRATIVE</u></b>			
Personnel Services	8,799,670	9,067,140	9,336,429
Travel	247,195	122,765	142,765
Data Processing, ITE	102,002	95,000	97,375
Other Administrative Expenses	401,112	326,853	329,847
Professional Fees	865,628	409,445	409,445
	<b><u>Total G, S, and A Expenses</u></b>	<b>\$10,021,203</b>	<b>\$10,315,861</b>
	<b><u>Net Cash (Deficit) from Operations</u></b>	<b>\$1,600,540</b>	<b>\$1,177,745</b>
<b><u>EQUIPMENT PURCHASES</u></b>			
Network (net)	1,619,154	1,600,540	1,177,745
	<b><u>Net Equipment Purchases</u></b>	<b>\$1,600,540</b>	<b>\$1,177,745</b>
	<b><u>Net Cash (Deficit)</u></b>	<b>\$(1,709,956)*</b>	<b>\$ -</b>

\* The primary reason for the FY15 negative cash flow relates to the Iowa Rural Health Telecommunications Program (IRHTP) project. ICN incurred 100% of approximately \$1.6M in expenses in FY15. These expenses will be billed to IRHTP users over a 3-year period. A secondary reason for this negative cash flow is the amount ICN expects to spend on updating Customer and Circuit databases.

# Iowa Communications Network

## Lead Schedule Budget to Actual

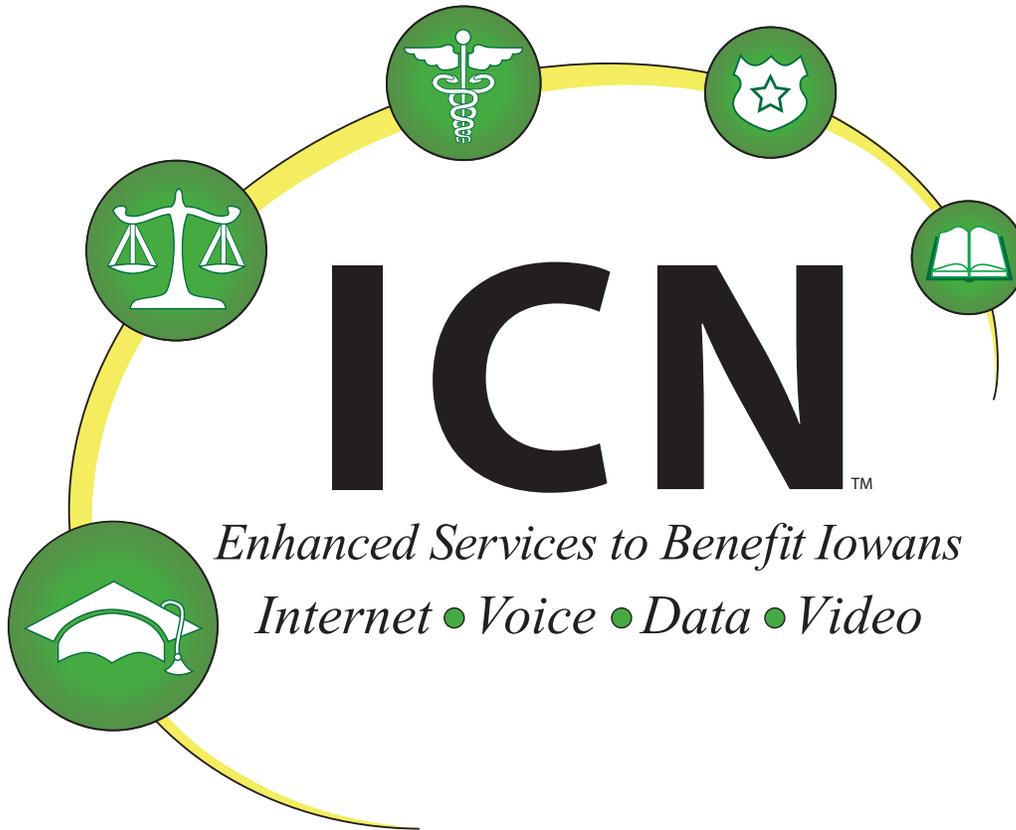
For the Fiscal Year Ended June 30, 2014

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<u>Operating Revenues</u>	<u>YTD Budget</u>	<u>YTD Actual</u>
Video	\$1,673,501.00	\$1,445,037.99
Voice Services	6,379,548.00	7,033,007.30
Data Services	23,005,928.00	21,931,175.52
Installation Charges	633,345.00	1,862,942.16
Other	150,198.00	134,742.21
Interest Income	33,717.00	30,771.32
<u>Gross Revenues</u>	31,876,237.00	32,437,676.50
 <u>Direct Expenses</u>		
Video Direct Expenses	300,909.00	240,332.20
Voice Expenses (Toll/Switched Access)	2,360,211.00	2,446,287.10
Data Direct Expenses	6,703,509.00	5,429,942.41
Installation Expenses	569,361.00	912,283.76
<u>Total Direct Expenses</u>	9,933,990.00	9,028,845.47
<u>GROSS MARGIN</u>	21,942,247.00	23,408,831.03
 <u>Indirect Expenses</u>		
System Maintenance, Support & License	7,066,480.00	6,535,369.99
Outside Plant Expenses	1,490,140.00	1,588,508.10
Other Operating Expenses	830,619.00	920,659.60
<u>Total Indirect Expenses</u>	9,387,239.00	9,044,537.69
<u>NET OPERATING INCOME/(LOSS)</u>	12,555,008.00	14,364,293.34
 <u>General &amp; Administrative Expenses</u>		
Personnel Services	9,541,264.00	8,473,719.64
Travel Expenses	307,970.00	143,902.04
Other Administrative Expenses	451,606.00	479,682.43
Professional Fees	410,850.00	1,038,474.58
<u>Total General &amp; Administrative Expenses</u>	10,711,690.00	10,135,778.69
<u>NET CASH(DEFICIT) FROM OPERATIONS</u>	1,843,318.00	4,228,514.65
 <u>Equipment Expenditures</u>		
Network Equipment	3,107,996.00	2,285,935.90
<u>Net Equipment Purchases</u>	3,107,996.00	2,285,935.90
<u>NET CASH(DEFICIT) FROM OPERATIONS &amp; EQUIPMENT GROWTH</u>	(1,264,678.00)	1,942,578.75

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.

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FY2014



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