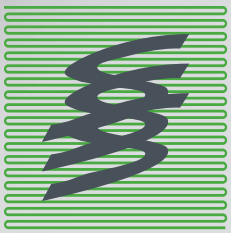
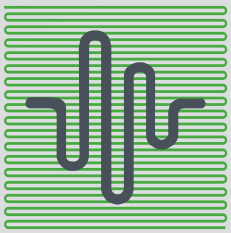
Iowa Communications Network

Annual Report FY2018

Video


Internet

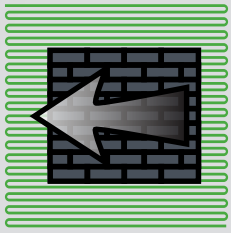

Managed Voice

Managed Firewall

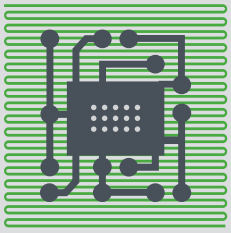
DDoS Mitigation

Domain Name Service

Incident Response & Forensic Investigation


Network Assessment & Penetration Testing

Expert Consultation & Strategy


Technical Assistance Center

Providing Broadband Services to Benefit Iowans

Annual Report FY2018

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IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION
Richard L. Bruner, CHAIR | Timothy L. Lapointe | Kelly Dolan Lange | Robert F. Holz | Robert von Wolffradt | Mary Mosiman
Philip Groner, Executive Director | Governor Kim Reynolds | Lt. Governor Adam Gregg

November 16, 2018

The Honorable Governor Kim Reynolds
Governor, State of Iowa
State Capitol
Des Moines, Iowa 50319

Dear Governor Reynolds:

On behalf of the Iowa Telecommunications and Technology Commission overseeing the Iowa Communications Network (ICN), I am pleased to submit our Fiscal Year 2018 Annual Report for your review. Throughout the report you will find information explaining how strong high speed Internet, voice, video, and security services continue to provide exceptional value to our authorized users. Highlights include:

- Partnering with the Iowa Homeland Security & Emergency Management (HSEMD) to provide a private and secure network for 911 wireline (landline) calls.
- Enhancing our video conferencing product to enable users the ability to collaborate on nearly any device that has an Internet connection, a web camera, microphone, and speakers.
- Launching a customer online service portal, which provided a digital transformation for ordering services, issuing trouble tickets, and agency-wide automation.

Our Broadband Strong vision continues to guide the ICN in Fiscal Year 2019. The Commission and ICN have a number of broadband initiatives that will benefit our users. Those initiatives include:

- Implementing a new digital billing system that will enhance customers' ability to view and interact with financial data.
- Building and maintaining an IP network with Ethernet as the carrier-grade technology. Current estimated broadband growth rates indicate that the need for bandwidth will reach over 100Gbps within the next 5-10 years.
- Working with Iowa Hospital Association (IHA) to replace legacy equipment to meet the growing needs of redundancy to hospital sites, as well as the increased need for bandwidth greater than 1Gbps speeds.

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

Annual Report Fiscal Year 2018

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

BROADBAND STRONG
STRONG FLEXIBLE FAST

Iowa Telecommunications and Technology Commission Members

Richard Bruner, Chair | Kelly Dolan Lange | Timothy Lapointe | Robert F. Holz
Mary Mosiman, Ex-Officio | Robert von Wolffradt, Ex-Officio

Kate Kohorst's commission term expired on April 30, 2018. Kohorst did not seek reappointment.

2018 Legislative Session Recap

Iowa Telecommunications and Technology Commission (ITTC)
Robert (Bob) Holz
Commissioner Holz was appointed by Governor Branstad in May 2017, and confirmed by the Senate on March 5, 2018.

House File (HF) 2254 - A bill for an act relating to 911 emergency telephone and internet communication systems, making appropriations, and including effective date provisions.

This bill authorizes the Department of Homeland Security and Emergency Management (HSEMD) to combine the wireline and wireless 911 services in Iowa. The ICN has been awarded a portion of that task through a competitive bidding process completed by HSEMD.

- Signed by Governor Reynolds on April 4.

Senate File (SF) 2235 – A bill for an act relating to criminal acts committed on or against critical infrastructure property and providing penalties.

The bill establishes the crime of critical infrastructure sabotage and creates a Class B Felony for destruction of telecommunications and broadband infrastructure.

- Signed by Governor Reynolds on April 17.

ICN contracts exceeding $1 million during FY 2018, as required by the Code of Iowa, Section 8D.3(3)(f).

- 17-001 Calero Software, LLC.
- 17-107 Master Ethernet Contract: multiple vendors (35)

Agency Overview

Finance Bureau

Ensures the agency has the resources available to carry out its operational and strategic goals, while following applicable federal & state accounting rules & policies.

Responsibilities:
Accounts payable; accounts receivable and collections; auditing; billing; general ledger and inventory reporting; purchasing/warehouse; work orders.

Business Services Bureau

Offers telecom consulting to customers, project & order management, customer service to the sectors we serve, as well as visual presence, media, and public relations.

Responsibilities:
Account Consultants (Sales); project management; customer support; marketing and outreach; E-rate administration.

Engineering/Operations Bureau

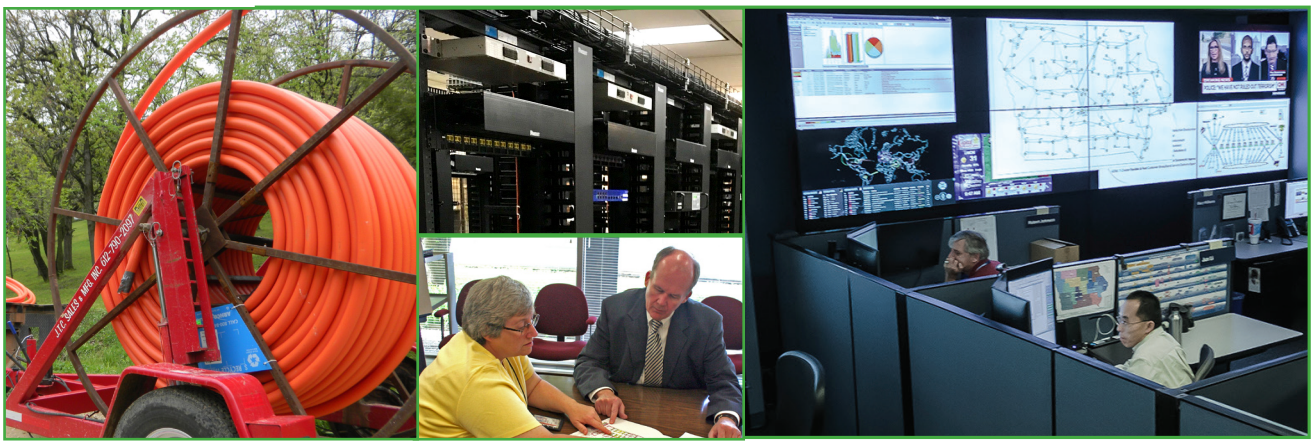
Manages cutting-edge technology, monitors the Network, and provides in-depth knowledge to secure the statewide fiber optic network environment.

Responsibilities:
Develops, designs, installs, and supports infrastructure/systems; upgrades technology, reduces legacy infrastructure, and facilitates automation; maintains high network availability with minimal disruptions; focuses on presale design as well as transport design; oversees vendor managed services.

Network Services Bureau

Provides functions from cybersecurity monitoring and active response measures to managing business applications; from installing & repairing infrastructure wiring to mapping fiber routes.

Responsibilities:
Cybersecurity; fiber locate requests, mapping geographic information systems (GIS), and computer aided design (CAD); application integration & database development; wiring data closets plus wiring of fiber & copper infrastructures.



ICN Services Update

Internet, Voice, Video, and Security

Internet

Internet & Ethernet service used by sector:

- 302 education facilities (Public & Private K-12, AEA's, and Community, Private and State Colleges)
- 75 government users (State, Federal, City of Des Moines)
- 358 healthcare locations (hospitals, clinics, & other providers)
- 187 public safety locations (including towers)
- FY17 total Internet purchased was 102Gbps, compared to FY18 total of 117Gbps (14% increase)

87% of the Internet provided by the ICN is being used by educational entities (102Gbps education, 15Gbps non-education).

Voice

Our managed voice service is an IP platform that is hosted from a cloud environment. This advanced managed voice system includes ICN provided hardware and licenses while offering premium and professional support for service management and technical configurations.

Recently added or converted customers:

- Prairie Lakes Area Education Agency, Pocahontas and remote offices
- Dept. of Natural Resources, Des Moines
- Dept. of Public Safety, Post 16, Des Moines
- Legislative Services, Capitol, Des Moines
- Dept. of Agriculture & Land Stewardship
- Dept. on Aging, Des Moines and remote offices
- Fort Dodge Correctional Facility

Video

44,706.38 Internet Protocol (IP) video hours were produced by customers.

2,410.8 full motion video hours were produced by customers.

ICN's full motion video service was sunsetted on June 30, 2018. Customers transitioned to an enhanced IP video service, LightSpeed Plus.

Security

18 customers are subscribed to ICN's Managed Firewall service with partner LightEdge.

- 35 Cyber Threat Assessments (CTAPs)* have been completed.

126 organizations either directly or as part of an aggregated Internet solution were provided DDoS protection by the ICN in FY18.

- 19,618 DDoS attacks were mitigated in FY18.

*Cyber Threat Assessments (CTAP) for Managed Firewall Customers

A CTAP monitors a customer's network infrastructure in a non-invasive way. After the monitoring, an analysis is provided based on the data collected using the following components. ICN's Managed Firewall Partner, LightEdge, performs the CTAPs.

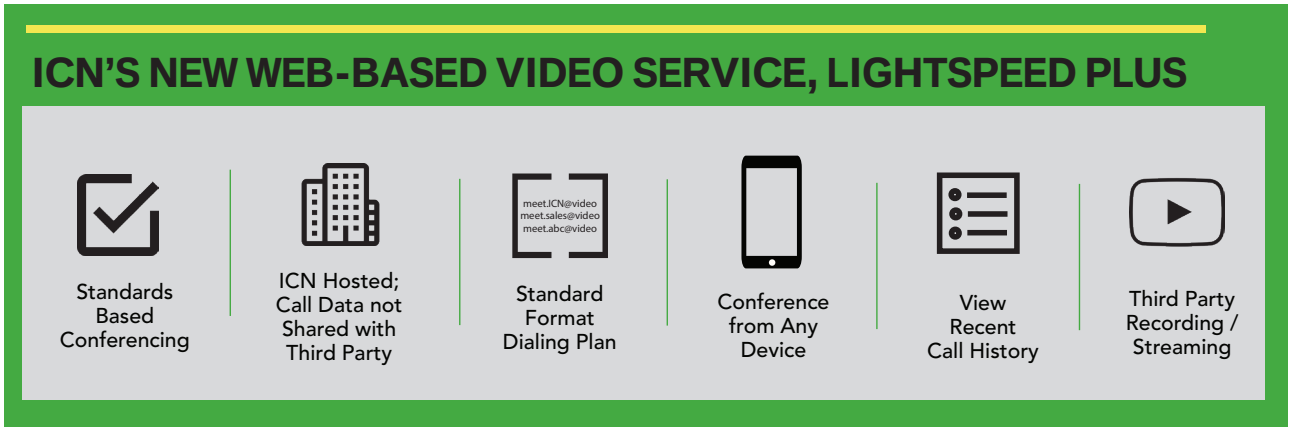
- *Security and Threat Prevention*: Identify high risk applications and malware/botnet events
- *User Productivity*: Application Usage & Web Usage
- *Network Utilization*: Firewall Statistics

ICN Enhances Video Service with Pexip® Infinity

ICN launched LightSpeed Plus, which brings native video, audio, and content-sharing by integrating the Pexip® Infinity platform, an award-winning cloud enterprise application.

Users can collaborate on nearly any device that has an Internet connection, a web camera, microphone, and speakers. This enhanced video experience provides easy-to-use functionality.

- Conference using PCs, laptops, or iOS/Android/Windows mobile devices.
- Use Virtual Meeting Rooms (VMR) for pre-arranged conferences / unscheduled video calls.
- Integrate third party recording/streaming.



The End of MPEG Video

As planned, ICN sunsetted its legacy full-motion MPEG (Moving Picture Experts Group) video service as of June 30, 2018. At the height of the MPEG usage, the video classrooms generated over 300,000 conferencing hours per year.

The following are MPEG video highlights.

600 Video Classrooms: In late 1997, the 500th full-motion video classroom was connected to the Statewide Network, followed by the 600th classroom in 1998.

Freedom Calls: ICN and the Iowa National Guard joined the Operation Hometown Link initiative of the Freedom Calls Foundation. ICN provided Iowa families with free video reunions with their Iowa family member(s) who were stationed in Iraq and Afghanistan.

Worldwide Recognition: In 2008, Government officials from Eastern Europe with the Academy in Moldova visited ICN with the plans to connect students with similar technology that Iowa incorporated with the ICN.

Virtual Field Trips: Iowa students participated in virtual field trips offered by Iowa Public Television (IPTV) using the video classrooms connected to the ICN.

4 Million MPEG Hours: ICN users generated over 4 million MPEG video hours since 1992.

SYBAC Continues to Deliver Strong Broadband Discussions

Fifteen students across Iowa interacted in the third year of ICN's Statewide Youth Broadband Advisory Council (SYBAC). Throughout the school year, the students met via video conference with ICN's Leadership.

The following students were selected to ICN's SYBAC for the 2017-2018 school year:

- Alaina Allen, English Valleys Jr-Senior HS
- Connor Baack, Southeast Polk HS
- Lewis Callaway, Clear Lake HS
- Kyle Cortez, Cedar Rapids HS
- Josiah DeValois, North Polk HS
- Austin Grant, Boyer Valley HS
- Beau Lapointe, Mason City HS
- Meghna Mallapan, Des Moines Public HS
- Olivia Moore, East Union HS
- Cole Mundus, Earlham CSD
- Cole Schippers, ADM HS
- Lucas Schwamman, Osage HS
- Jonathyn Stiverson, Council Bluffs HS
- Olivia Tidwell, Sioux City HS
- Blake Van Der Kamp, Prairie City Monroe (PCM) HS

Recap of Technology Topics Discussed by SYBAC

Topics discussed during the monthly video meetings.

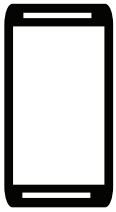
- Facebook's data breach: How much information do companies share about you?
- Autonomous cars: How soon will they be more common than not?
- If augmented reality is to become the primary computing environment, what form will it take?
- Government involvement in providing Internet to the public.
- Public Wi-Fi, who is responsible for security? The user, the internet service provider or the business offering it?
- Removing passwords and using other ways of authenticating the user. How many layers of security are you willing to go through?
- Will computer science be required in schools in the future?

ICN Partners with Iowa HSEMD to Merge 911 Networks

ICN Selected to Merge Wireline (Landline) Network with Wireless Network

In October 2017, ICN announced the partnership with Iowa Homeland Security & Emergency Management (HSEMD) to provide a private and secure network for 911 wireline (landline) calls. ICN will provide infrastructure and services for merging the existing wireline carrier network, consisting of all the State's wireline service providers, onto HSEMD's Next Generation 911 (NG911) IP Network.

NEXT GENERATION 911
Voice, Video, Text, & Data



The merged network will be able to handle up to 10GB per link of capacity and will include protected power, protected paths, and redundant equipment. This project will merge the wireline call delivery with the wireless call delivery architecture. Currently, analog wireline calls and wireless 911 calls are delivered using separate networks. ICN will aggregate analog wireline 911 calls, convert the calls to IP, and merge with HSEMD's existing NG911 network.

Benefits to ICN's network merging plan include:

- Limited maintenance downtime between the combined wireless/wireline networks.
- Public safety grade service level agreements.
- Ability to dedicate 24/7/365 network monitoring, maintenance, and support to maximize critical service needs.

ICN will continue to support legacy circuits as well as the future IP based platforms. After completion, all carrier 911 traffic will be consolidated to HSEMD's NG911 two data centers.

ICN currently delivers all wireless NG911 calls to 113 public-safety answering points (PSAPs).

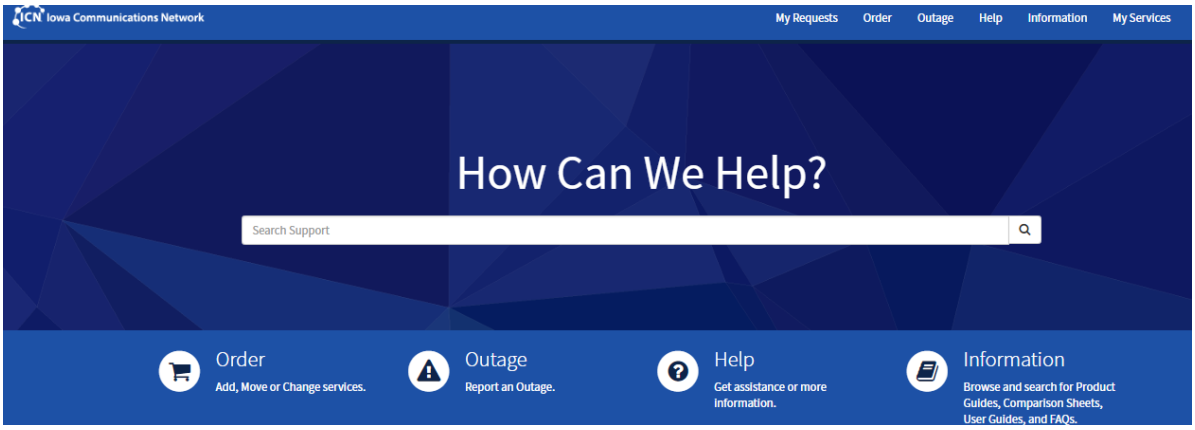
Background:
Senate File 500, enacted during the 2017 legislative session, charged HSEMD with identifying potential cost savings through two potential methods: merging the legacy wireline 911 network with the Next Generation Wireless 911 Network and sharing PSAP services. HSEMD's 9-1-1 Consolidation Study can be found on the HSEMD's website.

BROADBAND STRONG
STRONG FLEXIBLE FAST

A New Customer Online Portal Transformation

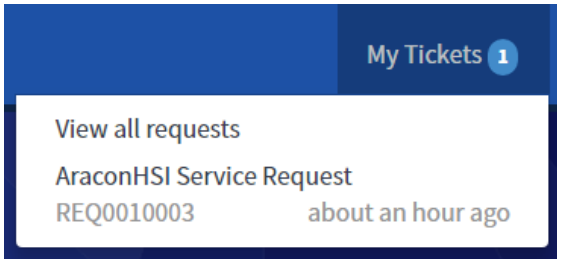
A Customer-Facing, Web Enabled Application

A digital transformation occurred for ICN's customers with the launch of a new customer online portal. The ServiceNow portal is a customer-facing, web enabled, and mobile enabled application, which provides customers a direct interface into ICN's service catalog. On November 1, ICN released over 2,000 customer notices regarding the launch of the new portal. There were 1,792 portal visitor views, with 204 unique logins.

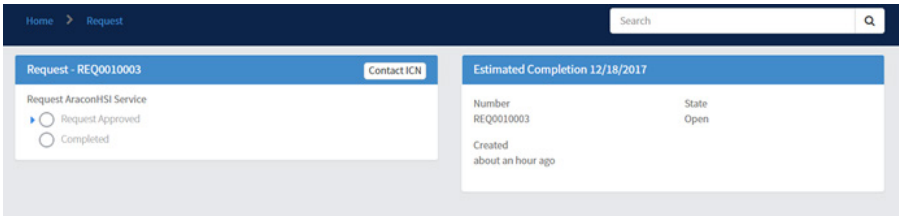


After the launch, two module enhancements were issued related to trouble tickets and moves, adds, and changes. Customers could view incidents, submit problems, follow workflow, and obtain status updates. Customers have a direct way to provide additional information to the specialist(s) working to resolve the issue.

On January 1, the ServiceNow portal was deployed across the entire ICN organization. This application change provided benefits of greater efficiency to ICN's customers. By integrating ServiceNow throughout the agency, ICN transitioned off of a previous Service Desk ticketing system and request for service (RFS) application, which was originally deployed in 2001.



After an Order has Been Submitted: Customers can select "My Tickets" to select any previous Order to view its status.



Progress of the Order: Customers have the ability to see the specific REQ number (Order number) or select "Contact ICN" to ask questions related to that Order.

Looking Ahead to Fiscal Year 2019

New Customer Billing System

Customers will notice a new digital transformation within ICN's billing system in Fiscal Year 2019. Testing of the online system is being performed to ensure financial data is integrated successfully. Customer benefits include:

- Credits and payments will be applied to specific invoices.
- A summarized and easily readable invoice.
- Access to a financial customer web portal.
- Billing notices sent via the billing application.

Core Network Upgrade

Given the current estimated broadband growth rates, the need for bandwidth will reach 100Gbps within the next 5-10 years. The ICN is building an IP network with Ethernet as a carrier-grade technology. The Core upgrade involves building and maintaining a 100GB native network that is scalable to meet our customers' broadband, voice, video, and security demands.

Power Upgrade

A power upgrade is needed for various facilities and network equipment. This project will provide a positive impact on a number of other projects including the ICN Core upgrade and the Iowa Homeland Security & Emergency Management 911 initiative. The power upgrade consists of updating:

- Batteries for backup services
- Rectifiers to convert power (AC to DC)
- Generators
- HVAC for Cooling

Managed Voice Service (MVS) Migration

ICN is currently implementing MVS throughout the State of Iowa. Working in partnership with CenturyLink, over 4,477 seats (phones) were installed in FY18. The migration to the new Voice service from the legacy Voice equipment is anticipated to be completed in FY19.

Agencies have benefited by using our managed Voice service for disaster recovery purposes. Customers can access the Voice application from any device where Internet is available, including a computer, tablet or smartphone at any location.

Healthcare Network Equipment Upgrade

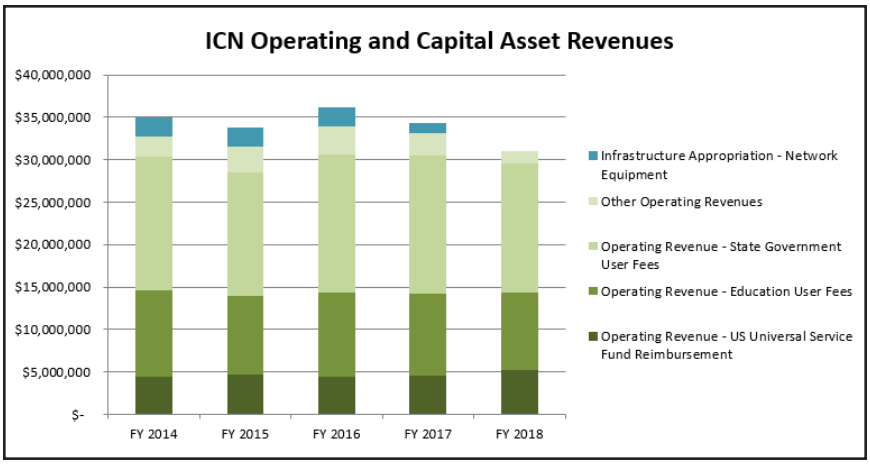
The ICN has been the technical, engineering, and maintenance provider of the Iowa Hospital Associations' (IHA) network program called the Iowa Rural Healthcare Telecommunications Program (IRHTP) since 2008.

Currently the ICN is project managing and deploying the install of a complete network upgrade on behalf of the IHA. This install will replace legacy equipment with the latest Multiprotocol Label Switching (MPLS) network capabilities to meet the growing needs of redundancy to hospital sites, as well as the increased need for bandwidth greater than 1Gbps.

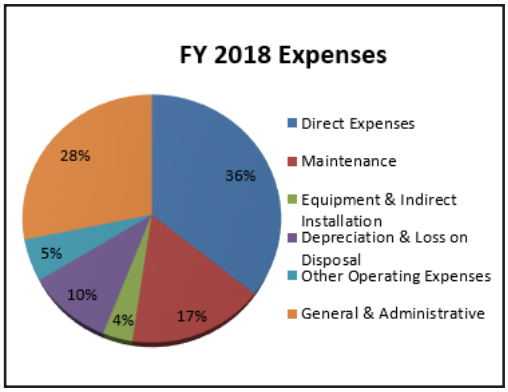
FY18 Financial Information

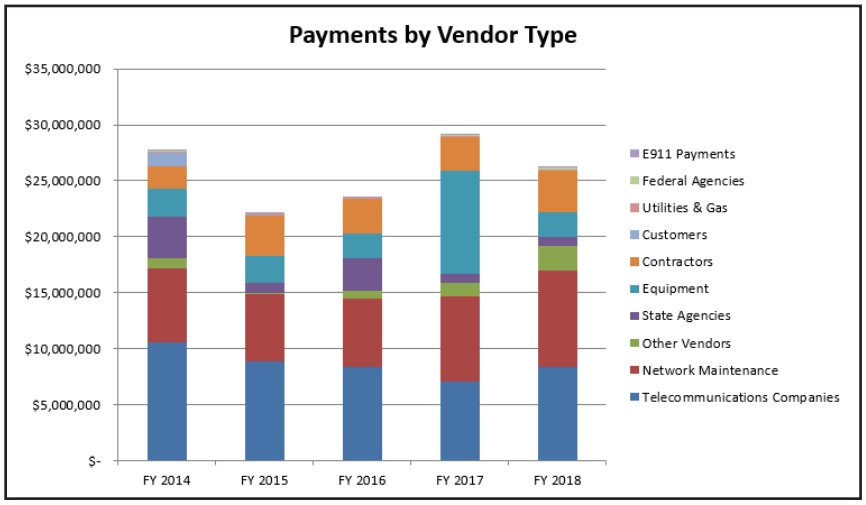
Iowa Communications Network

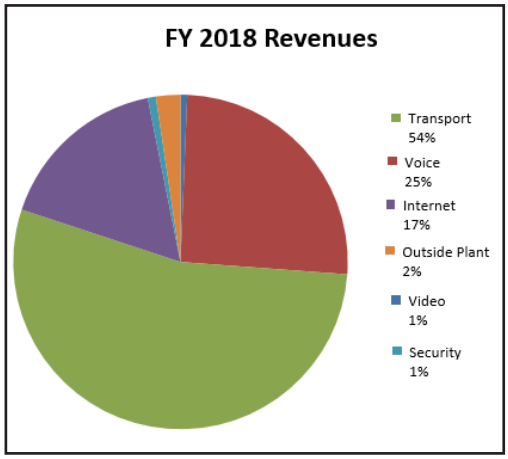
The ICN generated over $31M in revenues from billed services to authorized users. The ICN did not request or receive appropriated funds from the state for fiscal year 2018.



The "Payments by Vendor Type" graph shows how the revenue generated is used in supporting the network. The largest ICN expense in FY18 was the network maintenance agreements and payments to vendor telecommunication companies supplying voice, data transport and internet services . Payment for the cost of the "last-mile" connections that are leased from telecommunications companies is directed back to Iowa's private sector providers.







* 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.

FY18 Financial Information

Balance Sheet (Statement of Net Assets)
As of June 30, 2018
(Unaudited)

ASSETS	
Cash & Cash Equivalents	$9,308,365.54
Accounts Receivable	$3,268,243.15
Due From Federal Agencies	$0.00
Interest Receivable	$44,623.47
Inventory	$1,996,716.33
Prepaid Expenses	$1,060,306.19
Total Current Assets	$15,678,254.68
Unexpended Appropriations	$3,269,009.74
Fixed Assets(Net)	$16,566,858.86
Total Deferred outflows of resources	$2,276,899.00
TOTAL ASSETS	$37,791,022.28

LIABILITIES	
Accounts Payable & Accruals	$3,960,125.62
Sick Leave Incentive Program - Retirees	$20,428.00
Unearned Revenue	$2,312,425.96
Short-Term Compensated Absences	$766,101.25
Sick Leave Incentive Program - Employees	$133,749.19
Total Current Liabilities	$7,192,830.02
LT Sick Leave Incentive Program - Retirees	$0.00
Long-Term Compensated Absences	$115,574.46
LT Sick Leave Incentive Program - Employees	$643,089.32
Accrued Sick Leave	$73,108.00
Other Post-Employment Benefits	$846,000.00
Net Pension Liabilities	$6,799,906.00
Total deferred inflows of resources	$237,714.00
Total Long-Term Liabilities	$8,715,392.21
TOTAL LIABILITIES	$15,908,222.23

FUND EQUITY	
Retained Earnings	$21,882,800.05
TOTAL FUND EQUITY	$21,882,800.05
TOTAL LIABILITIES & FUND EQUITY	$37,791,022.28

FY18 Financial Information

Statement of Revenues, Expenses & Changes in Equity
For the Fiscal Year Ended June 30, 2018
(Unaudited)

EXPENSES

Direct Expenses:

Voice Costs	$5,070,754.46
Transport Costs	$6,251,144.83
Video Costs	$146,885.89
Internet	$500,790.36
Security	$81,225.78
Outside Plant	$2,323,891.64
Professional Services	$20,661.30
Total Direct Expenses	$14,395,354.26
Gross Operating Gain (Loss)	$16,512,523.44

Operating Expenses:

Network Equipment	$1,451,851.38
System Maintenance	$6,480,845.27
System Utilities Costs	$149,042.98
System Repair Maintenance	$475,881.61
Other System Costs	$300,370.09
Network Costs	$1,283,002.53
Loss on Inventory & Fixed Asset Disposal	$532,903.61
Depreciation Expenses	$3,626,502.32
Total Operating Expenses	$14,477,999.79
Net Operating Gain (Loss)	$2,034,523.65

General & Administrative Expenses:

Personnel	$10,361,974.40
Travel	$83,977.82
Administrative Services	$70,204.81
Professional Fees	$206,393.28
Other General & Administrative Expenses	$628,339.72
Total General & Administrative Expenses	$11,350,890.03
Net Operating Gain (Loss) Before Non-Operating Income & Transfers	($9,316,366.38)

REVENUES

Operating Revenues:

Voice Services	$7,919,647.00
Transport Services	$16,711,203.25
Internet	$5,203,845.67
Video Services	$199,007.75
Security	$242,970.50
Outside Plant	$732,370.72
Professional Services	$27,398.10
Other Revenues	$26,558.31
Bad Debt Expense	($155,123.60)
Total Operating Revenues	$30,907,877.70

NON-OPERATING REVENUES (EXPENSES)

State Appropriation	$0.00
Investment Income	$196,790.84
Net Non-Operating Revenues	$196,790.84
Net Gain (Loss) Before Contributions and Transfers	($9,119,575.54)
Change in Contributed Capital	($5,568.00)
Prior Period Adjustment to RE	($156,910.00)
Depreciation Add-back	$5,568.00
Change in Net Assets	($9,276,485.54)
Beginning Net Assets	$31,159,285.59
Total Net Assets	$21,882,800.05

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

FY18 Financial Information

Statement of Cash Flows (Unaudited)
For the Fiscal Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from customers	$31,162,808
Cash paid for goods and services	($31,017,266)
Cash paid for salaries and benefits	($10,168,594)
Net cash provided by operating activities	($10,023,052)
Cash flows from non-capital financing activities:	
Transfer from State of Iowa general fund	$0
Transfer from State of Iowa for capital appropriation	$0
Net cash provided by non-capital financing activities	$0
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	($1,178,321)
Net cash provided by (used in) capital and related financing activities	($1,178,321)
Cash flows from investing activities:	
Interest received on investments	$167,842
Net cash provided by (used in) investing activities	$167,842
Net increase (decrease) in cash & cash equivalents	($11,033,531)
Cash & cash equivalents at June 30, 2016	$23,610,906
Total cash and cash equivalents end of period	$12,577,375
Unexpended funds from State of Iowa capital appropriations	$3,269,010
Current cash and cash equivalents end of period	$9,308,365
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	($9,316,366)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation Expense	$3,626,502
Loss on Inventory Adjustment	$532,904
(Increase) decrease in accounts receivable	$438,210
(Increase) decrease in due from other state agencies	$0
(Increase) decrease in inventory	$117,925
(Increase) decrease in deferred outflows	($341,325)
(Increase) decrease in prepaid expenses	$597,946
Increase (decrease) in deferred revenue	($183,280)
Increase (decrease) in accounts payable	($6,028,533)
Increase (decrease) in accrued payroll	($57,500)
Increase (decrease) in due to other state agencies	($1,740)
Increase (decrease) in compensated absences	($77,211)
Increase (decrease) in net pension liability	$587,689
Increase (decrease) in deferred inflows - pension	($25,273)
Increase (decrease) in OPEB	$103,000
Increase (decrease) in deferred inflows - OPEB	$4,000
Total adjustments	($706,686)
Net cash provided by operating activities	($10,023,052)

FY18 Financial Information

Operating Budget Proposal

For the Fiscal Years Ending June 30, 2018 (Budget) June 29, 2019 June 28, 2020 (Proposed Budgets)

REVENUE: Operating Revenues	FY 2018 Actual	FY 2019 Budget	DOM Proposed FY 2020 Budget
Voice Services	$7,919,647.00	$6,386,513	$6,386,513
Transport Services	16,711,203.25	17,654,549	17,654,549
Internet	5,203,845.67	4,644,014	4,644,014
Video Services	195,723.70	239,018	239,018
Security	242,970.50	250,760	250,760
Colocation	0.00	25,000	25,000
Outside Plant	732,370.72	1,100,798	1,100,798
Professional Services	27,398.10	84,000	84,000
Other Revenue	223,349.15	118,815	118,815
Total Operating Revenues	31,256,508.09	$30,503,467	$30,503,467
EXPENSES: Direct Expenses			
Voice Costs	4,174,735.83	3,471,076	3,471,076
Transport Expenses	5,262,453.84	6,790,602	6,790,602
Video Costs	331,829.50	102,115	102,115
Internet	505,665.40	547,731	547,731
Security	52,559.10	58,050	58,050
Outside Plant	2,323,891.64	1,537,245	1,537,245
Professional Services	20,661.30	74,500	74,500
Total Direct Expenses	$12,671,796.61	$12,581,319	$12,581,319
GROSS MARGIN	$18,584,771.48	$17,922,148	$19,282,172
Allocated Indirect Expenses			
Operating Expenses	$8,800,835.80	$7,609,270	$7,609,270
General & Administrative Expenses	893,306.13	$1,070,477	$1,070,477
Payroll & Travel Expenses	$10,207,936.52	$10,113,374	$10,113,374
Total Allocated Indirect Expenses	$19,902,078.45	$18,793,121	$18,793,121
NET OPERATING INCOME (LOSS)	$(1,317,366.97)	$(870,973)	$(870,973)
Equipment Expenditures			
Network Equipment	$1,168,117.99	$170,207	$170,207
Net Equipment Purchases	1,168,117.99	$170,207	$170,207
NET CASH (DEFICIT) FROM OPERATIONS & EQUIPMENT GROWTH	$(2,485,484.96)	($1,041,180)	($1,041,180)

The FY18 drop from equity is the result of 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.

FY18 Financial Information

Lead Schedule Budget to Actual
For the Fiscal Year Ended June 30, 2018

Operating Revenues	YTD Actual	YTD Budget
Voice Services	$7,919,647.00	$7,791,276
Video Services	$195,723.70	$344,339
Transport Services	$16,711,203.25	$17,538,499
Internet Services	$5,203,845.67	$5,617,925
Security Services	$242,970.50	$298,588
Outside Plant Services	$732,370.72	$909,542
Network Professional Services	$27,398.10	$90,000
Other Revenue	$223,349.15	$84,603
Gross Revenues	$31,256,508.09	$32,674,772
Direct Expenses		
Voice Direct Expenses	$4,174,735.83	$4,626,028
Video Direct Expenses	$331,829.50	$242,182
Transport Direct Expenses	$5,261,453.84	$6,149,905
Internet Direct Expenses	$505,665.40	$312,930
Security Expenses	$52,559010	$153,050
Outside Plant Direct Expenses	$2,323,891.64	$1,639,803
Network Professional Direct Expenses	$20,661.30	$0
Total Direct Expenses	$12,671,796.61	$13,123,898
GROSS MARGIN	$18,584,771.48	$19,550,874
Allocated Indirect Expenses		
Operating Expenses	$8,800,835.80	$7,551,332
General & Administrative Expenses	$893,306.13	$2,353,688
Payroll & Travel Expenses	$10,207,936.52	$10,059,239
Total Indirect Expenses	$19,902,078.45	$19,964,259
NET OPERATING INCOME/(LOSS)	($1,317,366.97)	($413,385)
Equipment Expenditures		
Network Equipment	$1,168,117.99	$3,300,804
Net Equipment Purchases	$1,168,117.99	$3,300,804
NET CASH (DEFICIT) FROM OPERATIONS & EQUIPMENT GROWTH	($2,485,484.96)	($3,714,189)

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

FY2018

Iowa Communications Network
Grimes State Office Building
400 East 14th Street, Des Moines, Iowa 50319
Phone: 515-725-4692
Toll Free: 877-426-4692
Email: icn.info@iowa.gov

icn.iowa.gov