

Iowa Communications Network

Data K-12
Video Hospitals & Clinics
Phone and Voice Higher Education
High Speed Internet National Guard
Public-Private Partnership
Premier **STATEWIDE** Broadband
Enhanced Speed **FIBER OPTIC** Distance Learning
Convenient **NETWORK**
Iowa Telecommunications and
Technology Commission
Benefitting the citizens of Iowa
Evolution of Technology
ICN Authorized Users
Education
Medical
Public Safety
Judicial
Libraries

Annual Report
FY2012

www.icn.state.ia.us

Internet | Voice | Data | Video



Iowa Communications Network

Annual Report FY2012

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

The Network makes it possible for Iowans, physically separated by location, to interact in an efficient, creative, and cost-effective manner. ICN services include video, voice (phone), data, and high-speed Internet.

Through partnerships with education, medicine, the judicial system, and government agencies, the Network brings live video to over 600 classrooms around Iowa, located in schools, National Guard armories, libraries, hospitals, and federal and state government offices.

Commission Members

Richard Bruner, Chair

Shannon Cofield | Dr. Robert Hardman

Kathleen Kohorst | Timothy Lapointe

David Vaudt, Ex-Officio

Mission

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

Grimes State Office Building
400 East 14th Street
Des Moines, IA 50319
P: 515-725-IOWA (4692)
F: 515-725-4727
TF: 877-426-4692

Email
icn.info@iowa.gov

Website
www.icn.state.ia.us

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Partner with Private Sector Entities

GUIDING Trust and Integrity
Value and Empower Employees
Customer Focused
Results Driven **PRINCIPLES**

Iowa Telecommunications and Technology Commission

Benefitting the citizens of Iowa

Teamwork and Cooperation

ICN

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ICN Facts

ICN does not receive funds from the State's Chief Operating Account (also known as the General Fund) for its day-to-day operations. In March 2005, ICN completed payment of bond monies (Certificates of Participation) associated to building the backbone of the Network.

TERRY BRANSTAD, GOVERNOR

KIM REYNOLDS, LT. GOVERNOR

DAVE LINGREN, EXECUTIVE DIRECTOR

IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION

Richard L. Bruner
CHAIR

Kathleen Kohorst
Robert Hardman

Timothy L. Lapointe
VACANT

David A. Vaudt

November 20, 2012

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 2012 Annual Report. Throughout the report you will find stories and examples that demonstrate the many ways in which ICN video, voice (phone), Internet, and data services have enriched the lives of Iowans across our state.

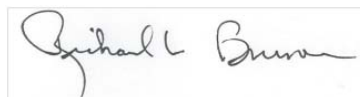
In Fiscal Year 2012, ICN continued to work through the implementation of an upgrade to ICN's network equipment, funded by a 2010 Broadband Technology Opportunities Program federal grant. Iowa is gaining an even better and more state-of-the-art Network while continuing to use the original fiber optic cable installed in the 1990's.

The Commission is meeting the transparency requirements to write a request for proposal (RFP) to determine if there is interest in purchasing or leasing the ICN (House File 45). The creation of the RFP (Request for Proposal) Implementation Team (RIT) provided stakeholders the opportunity to offer recommendations regarding the specific definitions and assumptions for the current aspects of the legislation.

I am pleased to provide the Fiscal Year 2012 Annual Report for your review, and trust you will agree that the ICN remains a valuable asset to Iowans. In Fiscal Year 2013, the Commission and ICN plan to utilize additional partnerships with private service providers and community anchor institutions to bring a variety of telecommunication services to all Iowa counties; such as Internet based video conferencing, enhanced Internet and data services, and unified communications for voice users.

We appreciate the opportunity to be of service.

Sincerely,



Richard L. Bruner
Chair
Iowa Telecommunications and Technology Commission

Commission Update

Membership Changes



On May 1, 2012, Richard Bruner was appointed as chair of the Iowa Telecommunications and Technology Commission (ITTC), the governing body of the Iowa Communications Network (ICN). Bruner's appointment by Governor Branstad received Senate confirmation on March 21.

Bruner was previously appointed as a member of the ITTC in 2011. Bruner is a telecommunications professional with over 40 years experience in public policy, regulatory affairs, marketing, sales and operations. His corporate experience includes working for AT&T, Northwestern Bell, and US WEST. Most recently, Bruner was a Telecommunications Consultant with Kiesling Associates – CPAs and Consultants who serve the Independent Telecommunications providers in Iowa and the Midwest. Bruner is a graduate of Iowa State University where he earned his Bachelor of Science degree in Industrial Administration. Bruner lives in Ventura, Iowa.

Governor Branstad appointed Bruner to replace the previous chair Betsy Brandsgard. The Commission chair position is appointed for a six-year term, and Commissioner Brandsgard's chairmanship was up for reappointment.



Richard Bruner

On May 1, 2012, Kathleen Kohorst became the newest commission member to serve on the Iowa Telecommunications and Technology Commission (ITTC). Kohorst's appointment by Governor Branstad received Senate confirmation on March 21.

Kohorst is an active private attorney practicing in Harlan, Iowa. She graduated from Harlan High School and St. Mary's College, Notre Dame, Indiana with a Bachelor of Arts degree. She received her Juris Doctorate degree from Creighton University in 1981, and was admitted to the Iowa State Bar Association.

She is a member of the Real Estate Section and Probate and Trust Law Section of the Iowa State Bar Association, and is a Foundation Fellow of the Iowa Bar Association. She was Trustee and President of the Board of the Harlan Municipal Utilities. She served on the Iowa Association of Municipal Utilities Board, and was on the American Public Power Association (APPA) Policy Board. Kohorst previously served on the Board of the Shelby County Medical Clinic. In addition, she was president of the Iowa Lung Association and member of the National Board of Directors.



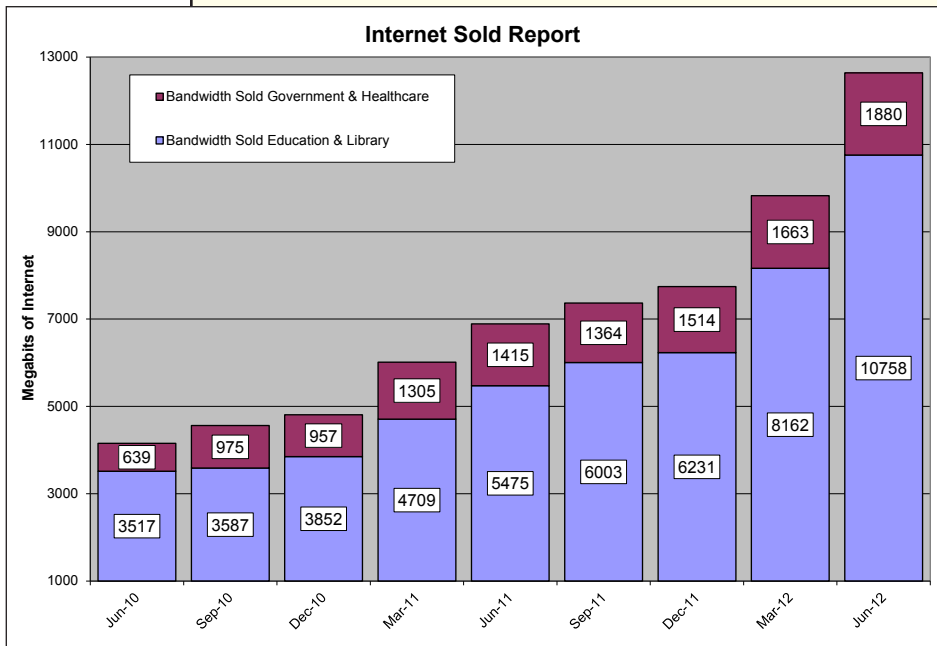
Kathleen Kohorst



ICN Services Update

Internet

When state and federal governments, public and private schools, higher education, healthcare facilities, libraries, and courts seek secure, fast, reliable Internet access, they call upon the ICN. Our robust network and ability to purchase volume services means higher quality and lower prices for customers.



- ICN's bandwidth and data services continue to climb at a remarkable pace, more than tripling in the past two years. This reflects the demand and need for greater access to high-speed Internet.
- The amount of Internet purchased by customers (authorized users) has increased 207 percent over the past two years (4.1Gb to 12.6Gb).
- Eighty-five percent of the Internet provided by the ICN is being used by educational entities (10.8Gb education, 1.8Gb non-education).
- Eighty-five percent of the 8.5Gb

increase over the last two years has been ordered by educational entities (7.3Gb education, 1.2Gb non-education).

- The Iowa 1:1 Laptop program was created to develop new innovative teaching, learning, and administrative practices. ICN provides many Iowa schools with Internet services necessary for the program. Schools see the need of increasing bandwidth capabilities by doubling, and in some cases, tripling their previous Internet capacity.

Our Users are our Number One Priority

In June 2012, Keystone Area Education Agency held its annual Technology Integration for Classroom Conference in Fayette, Iowa. Due to the success of the conference each year and the increased participation level, Keystone outgrew its previous location at their main office in Elkader. After conducting research for a new location, they asked Upper Iowa University (UIU) to host this year's conference. With the change in venue, the conference needed additional Internet capacity in order to guarantee a successful event.

Within two days, ICN was able to increase the capacity, from an engineering perspective, without a cost to the conference or UIU. This provided enough time to test the wireless platform before the conference.

"Our 450 clients experience[d] a true technology conference, and our national presenters will hopefully be able to not only show everything they had hoped, but fully expect that attendees will be able to go to the sites shown and have the full experience we intended. Thank you ICN!!"

Rhonda Sheeley,
Director of Instructional Services,
Keystone Area Education Agency

ICN Services Update

Video



From education to public safety to telemedicine to telejustice to the National Guard, the ICN has never been more valuable. ICN's video connection is the ideal tool for distance learning linking Iowans at multiple sites for classes, virtual field trips, meetings, and training. Every student in the state can have equal access to classes through other high schools and colleges with ICN's video.

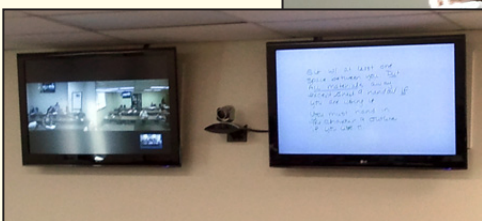
ICN produced a total of 121,586.5 full motion video hours and 4,365.6 IP video hours in Fiscal Year 2012.

Top three MPEG video groups in Fiscal Year 2012: community colleges, higher education, K-12 education.

During Fiscal Year 2012, K-12 Connections held 324 sessions which included 3,079 sites resulting in a total of 6,412.25 hours. K-12 Connections is a partnership between Iowa Public Television and ICN, which provides programming for K-12 students and educational professionals. To learn more about K-12 Connections visit www.k12connections.iptv.org

IP Video Migration

The integration of ICN's Internet Protocol (IP) based video conferencing system made significant progress. We continued to add customers on a case-by-case basis to the IP network platform for testing purposes. This minimized customer challenges related to the equipment and/or network connections between mixed technology sessions (IP and MPEG video sites). Customers that embrace IP video from ICN are incorporating open microphones and face-recognition cameras that offer flexibility with multiple features and service options available.



Students at a new IP video conferencing site at Iowa Central Community College.

The following customers became ICN's platform development partners as we transition to an IP video conferencing network from our MPEG network. These customers are providing us with great customer feedback and continue to assist us in testing the functionality of the IP video conferencing service.

Atlantic High School

- One IP video site

Belle Plain High School

- One IP video site

Iowa Central Community College

- Four IP rooms throughout multiple campuses;
 - One cart system
 - Three conference rooms

NE Iowa Community College

- Four IP video conference rooms

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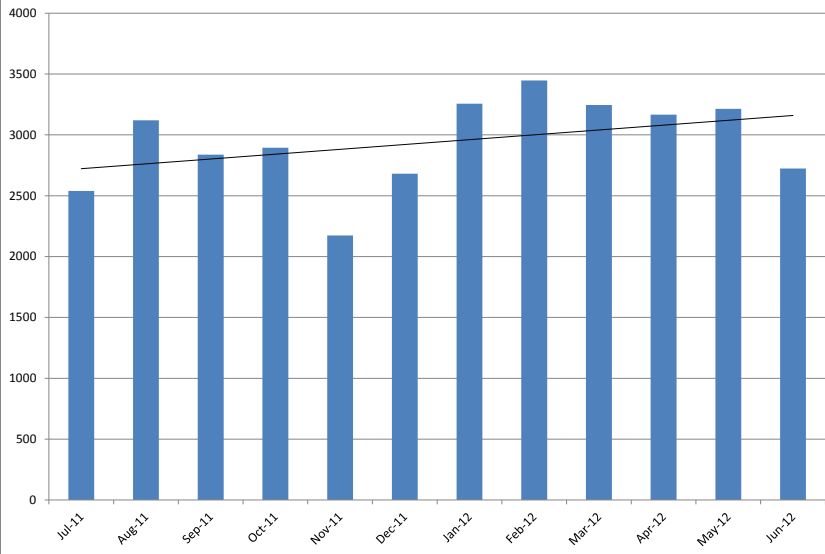


ICN Services Update

Voice (Phone)

Voice (phone) is a fundamental communication service that our authorized users utilize. ICN provides a 99.999% Network reliability and dependability to its customers.

ICN Teleconferencing Calls FY12



- ICN offers local phone service to state agencies located on the Capitol Complex and throughout the Des Moines metro area. In addition, ICN offers long distance, toll-free, calling cards, and reservationless voice conferencing services.

- ICN is researching options for a Managed Voice (phone) Services (MVS) platform that meets or exceeds features and services currently provided. The goals are to utilize the Network to reach authorized users and incorporate a Unified Communications (UC) component.

Voice Enhancements Continued

During the summer months in 2012, ICN initiated an extensive two-week maintenance change to implement redundancy as recommended by Homeland Security. An estimated 32,000 local phone numbers in the Des Moines metro area were included and the majority of the work was completed behind the scenes and scheduled after normal business hours.

The purpose of the change was to provide redundancy in the event of a dial-tone outage (local switch problem). After the maintenance change, users experienced a more reliable voice service. Many voice shelves were moved to various Capitol Complex buildings to improve the redundancy of service (rather than keeping them in a central location). The core switches are also redundant and separated geographically. In the event of a failure that causes a loss of service from one of the local service switching centers, an alternative switch will then route the calls having little to no impact on the services provided to our users. This is a significant achievement in our continuity of operations for government capabilities.

ICN continues to work with a local exchange carrier (LEC) to provide voice services to agencies located on the Capitol Complex. Our goals are to improve services, provide additional features, while also developing a way to ensure that systems have stability and remain functional should an equipment failure or a natural disaster cause a catastrophic outage.

Who Can ICN Serve?

- K-12 Schools – Public and Private
- Higher Education – Public and Private
- State and Federal Government Agencies
- Homeland Security and Emergency Management
- Telejustice
- Hospitals and Physician Clinics
- Libraries

ICN Services Update



Customers 'Perks' with Billing Processes

ICN's billing department made improvements to help customers easily understand the invoices they receive. With the change to electronic invoicing, customers receive their billing information directly into their e-mail inbox within the first five business days of each month. This benefit allows for additional time to review statements for accuracy, and provides adequate time for customers to receive approval from boards and/or committees. Electronic invoicing helps ICN contribute to its green initiative by reducing the amount of paper previously used for mailing invoices.

Changing account information is no hassle with ICN's Account Utility web page. Users can view all services on one convenient invoice, analysis inventory, review historic statements, and make changes to their circuit, and telephone inventory assignments.



One benefit is the availability of specialized reporting. ICN's billing department wanted to make invoices easier to read, so if customers have special view requests or layout preferences, ICN's billing staff will try to accommodate those needs.

More Accurate Troubleshooting

ICN is using state-of-the-art technology that speeds up troubleshooting when searching for breaks, splices, and bends in the fiber optic cables located throughout the state. The Optical Time Domain Reflectometer (OTDR) is used to measure the time and intensity of the light reflected on an optical fiber. The OTDR's technology is integrated into ICN's DWDM (dense wavelength division multiplexing) system, which was acquired and deployed as part of our federal broadband project.

A benefit to ICN in utilizing integrated OTDR technology is during a "loss of signal" situation. During this event, a technician can log into the appropriate site's system and initiate a test to determine if the fiber path is intact or if there is an opening indicating a fiber disruption. Identifying fiber disturbances can easily save 1-2 hours (potentially more depending on the location of the technician responding to the outage) by directing resources to repair a fiber cut, thus avoiding the time to determine potential equipment failure.

Live HDTV Remote Feeds

In October 2011, Iowans who watched the World Food Prize broadcast on Iowa Public Television (IPTV) viewed an HD (high definition) signal that was transported across a 23 Mbps (megabits per second) point-to-point circuit from the Capitol to IPTV's studio location in Johnston, Iowa. The signal was then distributed out to multiple transmitter towers located throughout the state, using ICN's fiber optic backbone connection.



ICN Services Update

Assisted with the Clean-Up in Creston

ICN staff members were involved in the clean-up efforts in the Creston area after storms devastated parts of the city on April 14, 2012. Green Hills Area Education Agency (AEA) was hit by a tornado, and Southwestern Community College (SWCC) was without power for a period of time. Both locations receive Internet and video services from ICN because they are authorized users.

Green Hills AEA is the aggregation point for the area schools' Internet service. This means that the AEA feeds Internet connections to several

high schools in the area. Green Hills AEA relocated their equipment to SWCC's FOTS (fiber optic termination site) room, which had a direct connection to the Network.



Photo provided by Dave Blair.

ICN receives federal Universal Service Fund telecommunication discounts on behalf of Iowa's schools and libraries. For Fiscal Year 2012 ICN provided e-rate discounts for voice, data, and video services for 295 schools and libraries, saving over \$4.6 million in discounts.

- \$3.4 million for voice and data discounts
- \$1.2 million in video discounts

The Schools and Libraries Program of the Universal Service Fund, commonly known as "E-Rate," provides discounts to assist most schools and libraries in the United States to obtain affordable telecommunications and Internet access.



*Green Hills AEA after tornado on April 14.
Photo provided by Dave Blair.*

This relocation allowed for services to be restored to the majority of area schools by the afternoon of April 16 (two days after the tornado.)

In addition, video conferencing sessions that were scheduled for the community college and the AEA were either relocated or cancelled due to the clean-up efforts.

Who is Authorized to Use the ICN?

Authorized user count is determined by location. For example, a state agency or AEA may have several locations and in this count each location is counted separately.

Authorized User Type	Number of Accounts
Higher Education (Regents Universities, Community Colleges, Independent Colleges and Universities)	245
K-12 Schools (Public and Private)	525
Area Education Agencies	54
State Government	626
Libraries	173
Hospitals & Physician Clinics	175
Miscellaneous (Federal Agencies, Polk County)	107
TOTAL	1905

Impact of eHealth



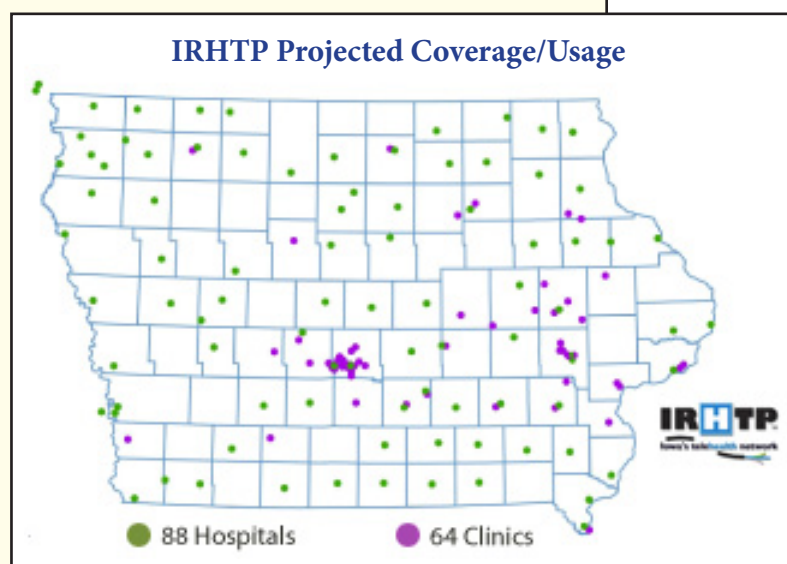
Iowa Hospital Association

ICN hosts health care connections for the Iowa Rural Healthcare Telecommunications Program's (IRHTP) statewide fiber optic Network. The healthcare program has connected 69 hospitals and 63 clinics. The facilities utilize private ethernet services and Internet, provided by the ICN, to exchange medical information including radiology studies, electronic medical records, and remote ICU monitoring as well as administrative data.

ICN is responsible for inventory control, electronics implementation and testing, connecting sites when the fiber path is installed, orders and service turn-up, and on-going maintenance.

The overall goal of the IRHTP consortium, led by the Iowa Hospital Association (IHA), is to deploy a secure, statewide, high-speed broadband network connecting rural hospitals to vital health care resources without geographic restrictions. Each IRHTP (hospital) site purchased last-mile fiber access to their facility and is participating in cost sharing to acquire network electronics. ICN's backbone completes the high-speed IRHTP core network by providing each core site with redundant 10 gigabit connections.

Headquartered in Des Moines, IHA is a voluntary membership organization representing hospital and health system interests to business, government and consumer audiences. For more information about the IRHTP, visit www.ihaonline.org/publications/fccsplit.shtml.



Healthcare Facility Receives Top 25 Honor

Radiology Consultants of Iowa (RCI) was selected as one of the Top 25 Connected Healthcare Facilities by Health Imaging & IT. RCI is a participant in the Iowa Rural Healthcare Telecommunications Program (IRHTP) which has its private fiber optic network hosted by the ICN.

“The impact of IRHTP is most evident in the emergency rooms,” stated Joe Moore, RCI’s Chief Information Officer. “We are now able to report our findings much faster than before, by as much as 30 minutes or more. This helps the rural ER doctor in the middle of the night make better, faster decisions, so they can determine if the patient should stay there or be transported to a larger urban facility.”

The IRHTP program has improved RCI’s ability to provide critical services to its rural hospital partners. Prior to RCI’s involvement with the program, their Internet connections were inadequate for the performance their doctors demanded.

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Update on Sale/Lease Process

2011 Legislative Session House File 45 - Sec. 8. SALE OR LEASE OF IOWA COMMUNICATIONS NETWORK

The Iowa telecommunications and technology commission shall implement a request for proposals process to sell or lease the Iowa communications network. The request for proposals shall provide for the sale to be concluded or the lease to commence during the fiscal year beginning July 1, 2013.* The commission shall condition the sale or lease of the Iowa communications network with terms that will allow existing authorized users of the network to continue such use at a lower overall long-term cost when compared to the anticipated operation and maintenance costs if state ownership and control were to continue. Public funds shall not be used to secure the purchase of the network. The commission shall submit periodic status reports to the general assembly at three-month intervals, beginning on October 1, 2011, regarding progress made toward selling or leasing the network. The prior authorization and approval requirements specified in section 8D.12 shall be complied with prior to a sale or lease of the network pursuant to this section.

*Extension made by HF646

The Iowa Telecommunications and Technology Commission was instructed by the legislature through House File 45, during the 2011 legislative session, to write a request for proposal (RFP) to determine if there is interest from an outside vendor in purchasing or leasing the ICN.

This does NOT mean that the ICN will be sold or leased. It means that the ITTC is required to complete the necessary due diligence to determine if there is interest from an outside provider to purchase or lease the ICN.

The ITTC has two years to complete the RFP process, which provides a completion deadline of June 30, 2013 (extension made by House File 646). All decisions must be approved by the legislature and the Governor, which means the final conclusion may not occur until the legislature is back in session, beginning in January 2014.

After the RFP is released, bidding information will be received, scored, reviewed, and an recommendation will be made by the ITTC to the Governor. If it is determined that there is interest to purchase the Network, customers' rates will be maintained since a requirement of the RFP is to offer services currently provided by the ICN at an equal to or lower overall long-term cost.

The information below is an estimated timeline for milestones to comply with House File 45. The timeline was submitted by Fiberutilities Group who is a neutral party retained by the ITTC as the Project Manager for the RFP for the sale or lease of the ICN.

Project Milestones (Estimated)	Schedule To Be Completed By
RIT formation and proofing of assumptions	1-Feb-12
Creation of an executable project plan for RFP	1-Mar-12
Detailed data gathering / analysis and RFP formatting	31-Dec-12
Final approval of "ready to post RFP" for sale or lease of the ICN	31-Jan-13
Posting, data management, and compliance monitoring to accept bids in response to the RFP	15-Mar-13
Organization of bid response data and response scoring by ITTC	15-May-13
Documentation of final IGOV recommendation(s) for action based on offers made.	30-Jun-13
Compliance with House File 45 project is complete	30-Jun-13

Update on Sale/Lease Process



Public Meetings Held to Discuss Critical ICN Legislation

Beginning in November 2011, the Iowa Telecommunications and Technology Commission (ITTC), ICN's governing body, conducted several public RFP (Request for Proposal) Implementation Team (RIT) meetings to discuss the legislative language that was passed in House File 45 during the 2011 legislative session.

The creation of the RIT was critical with membership representing key organizations and agencies. The team was tasked with providing advice regarding the specific definitions and assumptions for current unidentified aspects of the legislation. They developed and executed a project plan to address transparency and the time sensitive requirements of the legislation. The creation of the RIT was necessary to ensure the RFP is completed on time.

"The RIT function played a critical role in meeting milestones and timelines," said Dave Lingren, ICN's Executive Director. "Our goal is to receive a broad range of input from stakeholders to build the foundation for a fair, open, and transparent process. The Iowa Telecommunications and Technology Commission will depend on the team for guidance to comply with the requirements of House File 45."

RIT's long-term deliverable was to compile a comprehensive assumptions document outlining all discussion and input throughout the team's process, which will be used by the Commission in the construction of the RFP for the sale or lease of the Network. The team extensively discussed the history of the ICN, provided an overview of ICN's services and the Network, and the overall objective.

Due to the State of Iowa's bidding process, a representative from the private telecommunications industry was unable to participate as a RIT member, since their participation could create a conflict of interest, and therefore the company would be ineligible to submit a bid. However, members of the industry attended the public meetings and posed questions to the team.

The stakeholders involved in the RIT process consisted of individuals representing:

- Iowa Telecommunications and Technology Commission
- Governor's Office / Iowa Department of Management
- Judicial Branch
- Iowa Hospital Association
- Office of the Auditor of State
- Office of the Attorney General
- Department of Public Safety
- Department of Education
- Iowa Community Colleges
- Republican House Caucus
- Republican Senate Caucus
- Democrat House Caucus
- Democrat Senate Caucus



Moving Forward with Broadband Initiative

Meskwaki Settlement Holds Groundbreaking Ceremony

High-speed Internet made its way to the Meskwaki Tribe, which assisted in providing the necessary technology advancements for the community.



Meskwaki Tribe groundbreaking ceremony for the federal broadband project that will bring fiber optic and high-speed Internet service to the settlement west of Tama.

In the spring of 2012, the Meskwaki Settlement held a groundbreaking ceremony for the monumental achievement relating to their federal broadband project, which will bring high-speed Internet service to the Meskwaki Settlement school, tribal center, health care clinic, and homes when completed in 2013.

The ceremony was open to the public and included remarks from Frank Blackcloud, the Sac and Fox Tribal Chair. Janice Eagle Hawk, IT Director for the Meskwaki Tribe, was credited for her great leadership in the project.

The Meskwaki Settlement is ICN's sub-recipient partner. The initiative is part of ICN's federal Broadband Technology Opportunities Program (BTOP) project received in July 2010.



Iowa Health System

ICN connected 29 of Iowa Health System's healthcare facilities to the HealthNet Connect fiber optic network. ICN provided the sites with 100 Mbps (megabytes per second) capacity, which enabled the deployment and use of various telecommunications services.

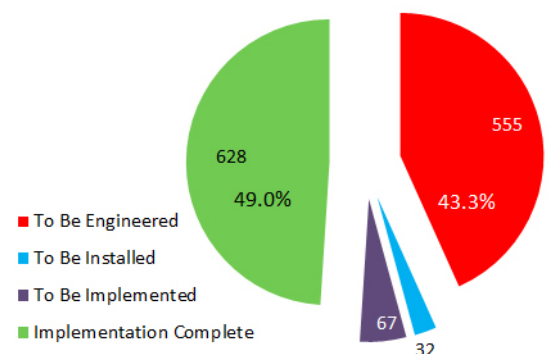
Iowa Health System (IHS) received a \$17.7 million federal BTOP (Broadband Technology Opportunities Program) grant to upgrade and enhance the health system's existing fiber network that provides connections to over 200 healthcare facilities.

Since the ICN is not authorized to provide residential services, ICN's portion of the project will provide the middle mile access path to connect the tribe's community anchor institutions (school, tribal center, and clinic). The Meskwaki Settlement's segment of the project provides access for fiber-to-the-home (FTTH) for approximately 196 different residential connections. The overall project has a completion date of June 2013, which has been ahead of schedule.



Fiber cables to be routed underground to provide for high-speed access throughout the Meskwaki Settlement.

In June 2012, ICN surpassed its target numbers and was 50% complete with the federal broadband project.



Moving Forward with Broadband Initiative



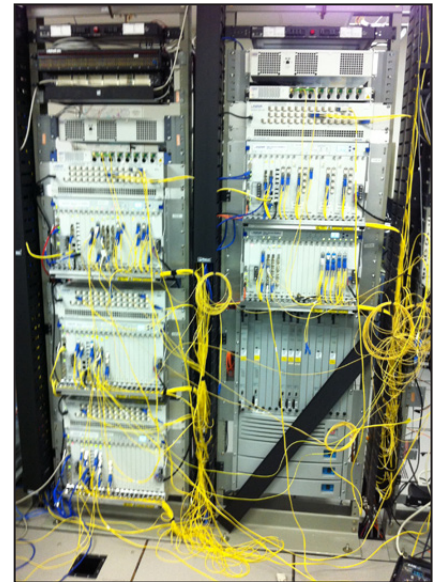
ICN Hosted Federal Site Visit

ICN hosted a two-day site visit for federal officials affiliated with the National Telecommunications and Information Administration (NTIA). The visit's main focus was reviewing information relating to ICN's federal broadband grant received in July 2010 from the Broadband Technology Opportunities Program (BTOP). The visit included routine discussions relating to topics of transparency, compliance, community outreach, and project status.

Benefits include providing more robust Internet applications such as transmitting hospital MRIs, video streaming, and web-based systems.

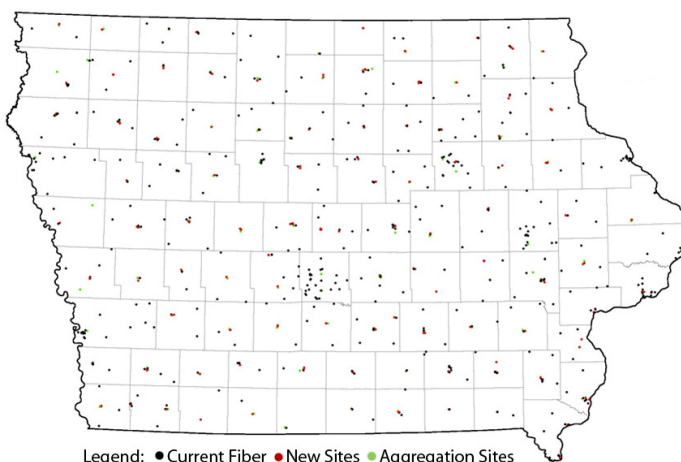
The site visit included a tour of ICN's Network Operations Center located in Johnston, Iowa. In addition, participants received a tour of the Iowa Department of Public Safety's (DPS) Dispatch Center, and a demonstration of the Iowa Department of Transportation's and DPS' TraCs (Traffic and Criminal Software) and MACH (Mobile Architecture for Communications Handling) web-based applications that utilize ICN's Network and bandwidth. TraCs creates a PC-based crash reporting system that expedites data capture for police crash reports, while MACH provides for cross-jurisdictional data-sharing within law enforcement, fire, emergency medical, and public works communities.

Background: In July 2010, ICN was awarded a \$16.2 million broadband infrastructure grant from BTOP. The project will enhance the Network to a ten (10) Gbps (gigabytes per second) backbone that would reach all 99 counties in Iowa. This middle mile network advancement will also provide one (1) Gbps of symmetrical Ethernet connectivity to education facilities, hospitals, libraries, public safety, workforce development, and other community anchor institutions throughout the state. For more information about BTOP visit www.broadbandusa.gov.



A view of ICN's lab used for testing the Network configuration before deploying equipment.

Sites Enhanced by ICN's Federal Broadband Grant



The map shows almost 1,000 installations over the course of a two-year period that will impact 450 new sites, over 560 direct locations, and indirectly enhance 3,081 locations.



Reaching Out with ICN's Message

Engaging Iowa's Municipal Utilities



Dave Lingren speaking at the Iowa Association of Municipal Utilities conference.

Dave Lingren, Executive Director of the ICN, spoke at the Telecommunications Conference conducted by the Iowa Association of Municipal Utilities (IAMU). During the regulatory update breakout session, Lingren spoke about the current status of the RFP for the Sale/Lease of the Network, the RFP Implementation Team (RIT) process, as well as concerns, impacts and benefits to Iowa communities.

ICN's goal with the entire RFP process is to demonstrate openness and transparency, which helps all of Iowa's telecommunications providers in understanding the value of the state-wide Network.

ICN Holds IN TOTO Outreach

ICN held its third IN TOTO conference on October 13, at the Iowa Valley Community College's Continuing Education Center in Marshalltown, Iowa. The theme of the conference was *The 'Quiz' Show - Quite Useful Information Zone*, which highlighted technologies being utilized with distance learning and broadband services; ranging from the gaming theory within education to the consequences of not having high-speed Internet connectivity.

The conference participants heard how ICN has increased educational enhancements, improved technology opportunities, and increased economic development with distance learning and broadband (high-speed Internet) services.

The 2011 Iowa State Fair

ICN staffed a booth at the Iowa State Fair. The goal was to build awareness for the services provided to our authorized users. In addition, ICN wanted to inform citizens on how they benefit from services brought to them by the Network in their everyday lives. ICN incorporated social media during this event to share information.

Iowa Communications Network
Annual Report FY2012

The IN TOTO conference included speakers, presentations, and breakout sessions in an engaging, interactive environment. Attendees also took advantage of learning more about services that ICN provides to Iowans.



Joseph Cassis & Lori Larsen speaking at ICN's IN TOTO conference.



Customers answering questions during the Quiz Show.

FY 2012 Legislative Session Recap



Appropriations

RTC (Senate File 2313)

The Iowa Telecommunications and Technology Commission (ITTC) was appropriated just under \$1 million to be allocated to the Regional Telecommunications Councils (RTCs) for technical support including maintenance of video classrooms, regional scheduling, and local area network/wide area network (LAN/WAN) support. This funding has been provided to Iowa Public Television (IPTV) in previous years.

The ITTC provided a process for the allocation funding. Each support function will be required to submit documentation monthly that supports each area's responsibility to ICN for review. This documentation will provide transparency and accountability within the RTC allocation process.

Equipment (Senate File 2316)

ICN was appropriated \$2,727,000 for Part III lease payments to the Department of Education to be used for leased circuits and maintenance. ICN also received an appropriation of \$2,198,653 for equipment replacement for voice and Internet protocol technology, reduced by \$50,000 from last fiscal year.

Independent Audit (Senate File 2316)

Language appropriating \$500,000 to conduct a comprehensive audit of the ICN including a complete inventory and estimation of the value of all components provisioned to the ICN Network including fiber, switching stations, end user equipment, and individual components that the State purchased since the creation of the Network. The bill language required the audit to be completed by an independent auditing firm prior to the sale or lease of the Network.

ICN expressed concerns about the SF 2316 audit language to the Governor:

- If no bid was received for the purchase of the network, the audit would have resulted in \$500,000 of taxpayer money spent needlessly.
- The cost of the audit would likely have been closer to \$800,000 or more.
- An audit would have been of limited value in determining if a bid submitted was sufficient to accept. Any analysis should take into account the "value" of the services provided to the authorized users and the needs of the state in maintaining a private network for Continuity of Operations (COOP) & Continuity of Government (COG) functions, public safety, agency users, etc.

Governor Branstad vetoed the language in SF 2316 pertaining to appropriating funds for the independent audit of the Network. He stated that an audit would be premature and unnecessary at the time.





Iowa Communications Network

Fiscal Year 2012 Financial Information

Unlike most state departments and agencies, the ICN operates with fee-based revenues rather than General Fund appropriations for operation of the Network.

ICN contracts exceeding \$1 million during FY 2012, as required by the Code of Iowa, Chapter 8D.13(3)(f).

10-104A, 11-006A, 11-012A, 11-020A, 11-092A: Unite Private Network

11-136: Brocade – Network Switches & Support

11-031: Temporary Telecommunications Engineers (Aggregate payments to all vendors has the potential to exceed \$1 million.)

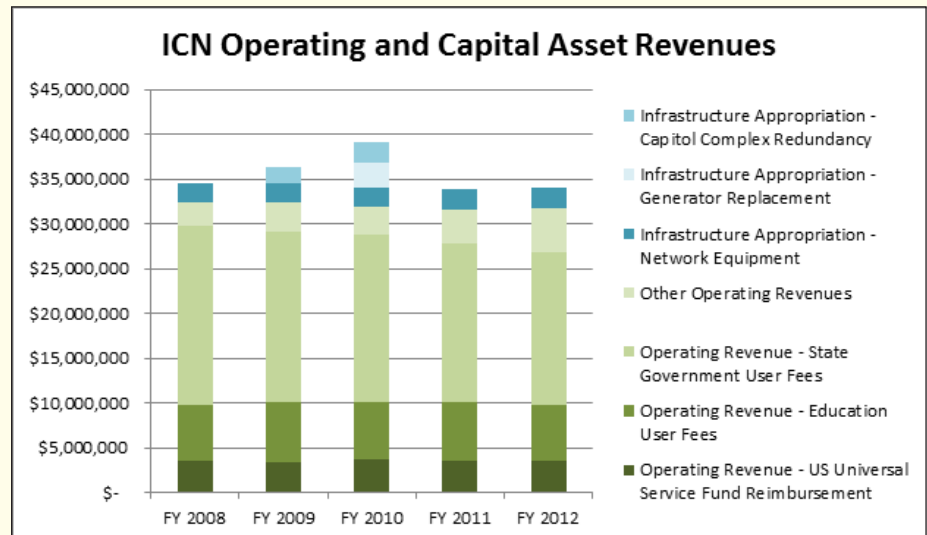
- Adecco Engineering & Technical
- Quality Consulting Inc.
- 22nd Century Technologies, Inc.

11-086: Install, Field & Data Operations Technicians (Aggregate payments to all vendors has the potential to exceed \$1 million.)

- 22nd Century Technologies, Inc.
- Cable Tech, Inc.
- Computer Consultants International, Inc.
- Telco Den, Inc.

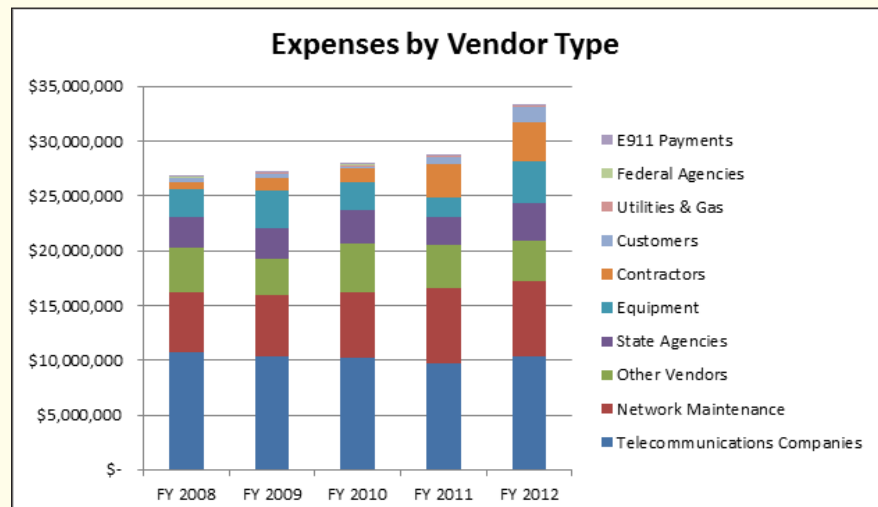
11-085: Fiber Utilities Group, LLC. (Potential to exceed \$1 million.)

Capital asset revenues are appropriated from infrastructure funding sources such as the Technology Reinvestment Fund. This ensures ICN eligibility to receive a portion of the Universal Service Fund reimbursements on behalf of Iowa schools and libraries, a network infrastructure investment must be made by the State.



The expenses demonstrate the monies that go from the Network, which are received as user fees, and then distributed.

ICN relies on partnerships that have been created with various private sector companies to deliver services to authorized users. The largest percentage of ICN expenses is a result the “last-mile” connections.



Note: Expenses to outside vendors only - excludes payroll and employee reimbursements

Iowa Communications Network

Statement of Net Assets

As of June 30, 2012
(Unaudited)



Assets	
Current assets:	
Cash & Cash Equivalents	\$ 6,174,222
Accounts Receivable, net	6,475,425
Interest Receivable	18,582
Inventory	2,636,288
Total Current Assets	<u>15,304,517</u>
Unexpended appropriation	6,554,341
Unexpended BTOP Match	5,837,673
Noncurrent assets:	
Capital Assets, net	21,292,414
Prepaid Expenses	566,327
Total Noncurrent Assets	<u>21,858,741</u>
Total Assets	<u>\$ 49,555,272</u>
Liabilities	
Current liabilities:	
Accounts Payable	\$ 5,761,406
Deferred Revenue	277,991
Compensated Absences	872,258
Total Current Liabilities	<u>6,911,655</u>
Noncurrent liabilities:	
Deferred Revenue	2,664,208
Compensated Absences	709,194
Other Post-Employment Benefits	322,455
Total Noncurrent Liabilities	<u>3,695,857</u>
Total Liabilities	<u>10,607,512</u>
Net Assets	
Invested in capital assets	21,292,414
Unrestricted	17,655,346
Total Net Assets	<u>38,947,760</u>
Total Liabilities and Net Assets	<u>\$ 49,555,272</u>



Iowa Communications Network

Statement of Revenues, Expenses For the Fiscal Year Ended June 30, 2012 (Unaudited)

Operating Revenues:

Sales, rents, and services:

Voice Services	\$ 7,415,968
Data Services	20,872,312
Video Services	2,581,075
Installation Services	656,977
Equipment Sales	476
Other Revenues	176,147
Total Operating Revenues, gross	<u>31,702,955</u>
Bad Debt Expense	<u>(40,704)</u>
Total Operating Revenues, net	<u>31,662,251</u>

Operating Expenses:

Direct Expenses:

Voice Costs	2,764,732
Data Costs	6,616,085
Video Costs	337,334
Installation Costs	771,238
Total Direct Expenses	<u>10,489,389</u>

Depreciation Expense	<u>6,042,994</u>
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Other Operating Expenses:

Network Equipment	3,493,662
System Maintenance	6,827,421
System Utilities Costs	84,573
Outside Plant Costs	1,578,738
System Repair Maintenance	156,020
Other System Costs	54,330
Network Installation Costs	1,195,492
Loss on disposal of capital assets and inventory	56,410
Total Other Operating Expenses	<u>13,446,646</u>

General & Administrative Expenses:

Personnel	9,754,058
Travel	154,834
Administrative Services	158,020
Rent	128,226
Professional Fees	1,151,237
Other General & Administrative Expenses	163,542
Total General & Administrative Expenses	<u>11,509,917</u>
Total Operating Expenses	<u>41,488,946</u>

Operating Loss	<u>\$ (9,826,695)</u>
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Iowa Communications Network

Statement of Revenues, Expenses & Changes in Net Assets

For the Fiscal Year Ended June 30, 2012

(Unaudited)



Operating Revenues

Sales, rents, and services	\$	31,662,251
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Operating Expenses

Direct Expenses		10,489,389
Depreciation Expense		6,042,994
Other Operating Expenses		13,446,646
General & Administrative Expenses		11,509,917
Total Operating Expenses		41,488,946

Operating Loss

(9,826,695)

Non- Operating Revenues

State Appropriations		2,248,653
Federal Grant		9,284,112
Investment Income		58,235
Total non-operating revenues		11,591,000

Increase in net assets

1,764,305

Net assets beginning of year

37,183,455

Net assets end of year

\$ 38,947,760



Iowa Communications Network

Statement of Cash Flows For the Fiscal Year Ended June 30, 2012 (Unaudited)

Cash flows from operating activities:

Cash received from customers	\$ 30,255,409
Cash paid for goods and services	(27,098,636)
Cash paid for salaries and benefits	(9,076,034)
Net cash provided by operating activities	<u>(5,919,261)</u>

Cash flows from non-capital financing activities:

State appropriations	2,248,653
Federal grant - BTOP	9,644,422
Net cash provided by non-capital financing activities	<u>11,893,075</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(10,676,892)
Capital contributions	(360,307)
Net cash used in capital and related financing activities	<u>(11,037,199)</u>

Cash flows from investing activities:

Interest received on investments	45,077
Net cash provided by investing activities	<u>45,077</u>

Net increase in cash & cash equivalents	<u><u>(5,018,308)</u></u>
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Cash and cash equivalents, beginning of year	23,584,544
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Total cash and cash equivalents, end of year	<u>\$ 18,566,236</u>
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Unexpended funds from State of Iowa capital appropriations	6,554,341
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Unexpended funds for BTOP Match	5,837,673
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Current cash and cash equivalents, end of year	<u><u>\$ 6,174,222</u></u>
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Reconciliation of operating loss to net cash provided by operating activities:

Operating income	<u>\$ (7,578,044)</u>
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation Expense	6,042,994
Loss on disposal of capital assets and inventory	56,410
(Increase) decrease in accounts receivable	(2,999,749)
(Increase) decrease in due from other state agencies	1,511,453
(Increase) decrease in inventory	(976,413)
(Increase) decrease in prepaid expense	(165,873)
(Increase) decrease in deferred revenue	81,454
(Increase) decrease in State of Iowa capital appropriation	(2,248,653)
Increase (decrease) in accounts payable	553,881
Increase (decrease) in due to other state agencies	(242,898)
Increase (decrease) in compensated absences	46,177

Total adjustments	<u>1,658,783</u>
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Net cash provided by operating activities	<u><u>\$ (5,919,261)</u></u>
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Iowa Communications Network

Operating Budget Proposal

For the Fiscal Years Ending June 30, 2014 and June 30, 2015



	FY 2013 Budget	FY 2014 Proposed Budget	FY 2015 Proposed Budget
REVENUES			
Voice Revenues	\$ 7,307,313	\$ 6,311,331	\$ 6,115,133
Data Revenues	20,679,456	21,213,041	21,620,722
Video Revenues	2,451,549	2,259,130	2,138,675
Installation Charges	858,500	858,500	858,500
Equipment Appropriation Request	2,198,653	2,248,653	2,248,653
Other Revenues	203,888	221,684	225,084
Gross Revenues	\$33,699,359	\$33,112,339	\$33,206,767
DIRECT EXPENSES			
Toll	951,402	1,081,681	1,073,524
Switched Access	1,067,356	880,463	862,853
Other Voice Direct Expenses	972,454	880,650	857,787
Data Circuit Expenses	7,092,612	7,239,464	7,243,362
Video Direct Expenses/Other expenses	308,175	327,487	325,527
Installation Expenses	614,500	614,500	573,242
Total Direct Expenses	\$11,006,499	\$11,024,245	\$10,936,295
Gross Margin	\$22,692,860	\$22,088,094	\$22,270,472
OPERATING EXPENSES			
System Maintenance and Technical Support	6,903,606	6,895,824	7,024,145
Outside Plant Expenses	1,498,011	1,490,140	1,490,140
Other Operating Expenses	1,339,272	1,203,394	1,226,697
Total Operating Expenses	\$ 9,740,889	\$ 9,589,358	\$ 9,740,982
Net Margin	\$12,951,971	\$12,498,736	\$12,529,490
GENERAL, SALES, AND ADMINISTRATIVE			
Personnel Services	8,976,325	8,985,352	9,215,210
Travel	172,360	172,360	172,360
Data Processing, ITE	138,636	122,000	125,000
Other Administrative Expenses	443,375	370,142	372,142
Professional Fees	877,160	410,850	396,125
Total G, S, and A Expenses	\$10,607,856	\$10,060,704	\$10,280,837
Net Cash (Deficit) from Operations	\$ 2,344,115	\$ 2,438,032	\$ 2,248,653
EQUIPMENT PURCHASES			
Network (net)	2,344,115	2,438,032	2,248,653
Net Equipment Purchases	\$ 2,344,115	\$ 2,438,032	\$ 2,248,653
Net Cash (Deficit)	\$ -	\$ -	\$ -



Grimes State Office Building
400 East 14th Street
Des Moines, IA 50319
515-725-IOWA (4692)
877-426-4692

icn.info@iowa.gov

www.icn.state.ia.us

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