

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY

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MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
MANNING, IOWA

OFFICIALS

DECEMBER 31, 2006

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
John Detlefsen	Chairperson	11-4-2007
Rick Lohrmann	Vice Chairperson	11-4-2010
Ron Soll	Secretary	11-4-2011
Marsha Clausen	Board Member	11-4-2012
Dr. Robert Vonnahme	Board Member	11-4-2008
Jeff Carson	Technical Manager	
Wendel Kahl	Service Manager	
Beth Carter	Office Manager	

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Certified Public Accountants

Morrie M. Heithoff, CPA
Susan L. Hansen, CPA
Jeffrey L. Muhlbauer, CPA

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July 30, 2007

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Manning Municipal Communications and Television System Utility
Manning, Iowa 51455

We have audited the accompanying basic financial statements, listed as exhibits in the table of contents of this report, of the Manning Municipal Communications and Television System Utility, (a municipal utility) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Manning Municipal Communications and Television System Utility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements of the Manning Municipal Communications and Television System Utility are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Communications and Television System Utility.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Manning Municipal Communications and Television System Utility as of December 31, 2006 and 2005, and the changes in its financial position and its cash flow for the years ended December 31, 2006, and 2005 in conformity with U.S. generally accepted accounting principles.

July 30, 2007
Manning Municipal Communications and
Television System Utility
Page Two

In accordance with Government Auditing Standards, we have also issued a report dated July 30, 2007, on our consideration of the Manning Municipal Communications and Television System Utility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Communications and Television System Utility's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended December 31, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Information in Schedule 3 has not been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, accordingly, we express no opinion on it.

Heithoff, Hansen, Muhlbauer & Co., P.C.

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.
Certified Public Accountants



Manning Municipal Communications & Television System Utility
719 3rd Street · Manning, LA 51455 · (712) 655-2660

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manning Municipal Communications and Television System Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2006. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Operating revenues of the Utility's activities decreased 5.85%, or \$49,506, from 2005 to 2006.
- Operating expenses increased 2.14%, or \$20,384 from December 31, 2005 to December 31, 2006.
- The Utility's net assets of business type activities decreased \$208,282 from December 31, 2005 to December 31, 2006.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Balance Sheet and a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows. These provide information about the activities of Manning Municipal Communications and Television System Utility as a whole and present an overall view of the Utility's finances.

Notes to Financial Statements provide additional information essential to a full-understanding of the data provided in the basic financial statements.

Other Supplementary Information provides a listing of the Utility's comparative financial data with a prior year, capital assets, and statistical data.

REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

Basic Financial Statements

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report information, which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Balance Sheet presents all of the Utility's assets and liabilities with the difference between the two reported as "net assets". Over time, increases or decreases in the Utility's net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the Utility's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will not result in cash flows until future fiscal periods.

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the following activity:

- Business type activity for the Communication Utility. This activity is financed primarily by user charges.

Fund Financial Statements

The Utility has one fund:

The Proprietary fund accounts for the Utility's Enterprise Fund. This fund reports services for which the Utility charges customers for the service it provides. Proprietary funds report all activities in the Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Since there is only one fund, this is obviously the only major fund as well. The Utility is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

The required financial statements for proprietary funds include a balance sheet, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

BASIC FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for this business type activity.

Net Assets		
December 31, 2006 and 2005		
<u>Business Type Activity – Enterprise Fund</u>		
	<u>Year Ended</u>	
	<u>12-31-06</u>	<u>12-31-05</u>
Current and other assets	\$ 339,281	\$ 539,120
Capital assets	<u>569,694</u>	<u>550,678</u>
Total Assets	<u>\$ 908,975</u>	<u>\$1,089,798</u>
Current liabilities	\$ 217,348	\$ 189,889
Non-current liabilities	<u>800,000</u>	<u>800,000</u>
Total Liabilities	<u>\$1,017,348</u>	<u>\$ 989,889</u>
Net assets:		
Invested in capital assts, net of related debt	\$ -0-	\$ -0-
Restricted	2,700	1,850
Unrestricted	<u>(111,073)</u>	<u>98,059</u>
Total net assets	<u>\$ (108,373)</u>	<u>\$ 99,909</u>

Net assets of business type activities decreased from 2005 by \$208,282. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is (\$111,073) at the end of this year. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The invested in capital assets (e.g. land, infrastructure, buildings, and equipment), less the related debt is shown as zero since it is actually a negative number. The related debt is larger than the net capital assets due to the fact that principal payments have not been made on a large portion of the debt, but yet accumulated depreciation continues to increase. If it was shown as a negative number, the unrestricted net assets would be overstated. The accumulated net operating losses for the past several years have caused a negative net assets as of December 31, 2006.

Changes in Net Assets
Year ended December 31, 2006 and 2005

Business Type Activity Enterprise Fund – Communication Fund

	<u>Year Ended</u>	
	<u>12-31-06</u>	<u>12-31-05</u>
Revenues:		
Charges for services	\$ 782,672	\$ 802,521
Interest Income	9,107	5,725
Service & reconnect charges	3,094	8,755
Salary reimbursement	4,716	9,178
Advertising fees	2,251	2,568
Misc. fees	2,604	6,889
Signal Charges	1,400	16,332
Total revenues	<u>\$ 805,844</u>	<u>\$ 851,968</u>
Operating expenses:		
Production	\$ 402,380	\$ 419,540
Rent	170,849	170,849
Administrative and general	294,104	256,669
Total operating expenses	<u>\$ 867,333</u>	<u>\$ 847,058</u>
Other expenses:		
Depreciation	\$ 104,615	\$ 104,506
Interest expense	42,178	30,429
Total other expense	<u>\$ 146,793</u>	<u>\$ 134,935</u>
Increase (decrease) in net assets	\$ (208,282)	\$ (130,025)
Net assets beginning of year	<u>99,909</u>	<u>229,934</u>
Net assets end of year	<u>\$ (108,373)</u>	<u>\$ 99,909</u>

CAPITAL ASSETS

The Utility's capital assets include land, buildings and improvements, equipment, and other infrastructure. Capital assets for the business type activity totaled \$569,694 (net of accumulated depreciation) at December 31, 2006. This is a net increase of \$19,016 or 3.45% over last year.

CAPITAL ASSETS AT YEAR END

	<u>12-31-06</u>	<u>12-31-05</u>
Headhouse	\$ 62,741	\$ 62,741
Distribution	40,152	40,152
General	49,561	41,065
Interest	166,866	119,799
Telephony	<u>839,861</u>	<u>771,793</u>
Total	1,159,181	1,035,550
Less: Accumulated Depreciation	<u>(589,487)</u>	<u>(484,872)</u>
Net Capital Assets	<u>\$ 569,694</u>	<u>\$ 550,678</u>

LONG-TERM DEBT

At December 31, 2006, the Utility had \$800,000 in total long-term debt outstanding for business type activities. During the year ended December 31, 2006, the Utility did not receive any additional funding on their long-term debt nor did they make any payments on their long-term debt.

ECONOMIC FACTORS BEARING ON THE COMMUNICATION UTILITY'S FUTURE

The Communication Utility has not made any significant rate changes and does not expect any significant changes in the future. MMCTSU also charges carrier access fees to other telephone companies for the use of MMCTSU's telephone lines. It has been a constant legal battle in trying to collect all of the past due carrier access fees. The fact that several telephone companies have declared bankruptcy makes it even more difficult.

CONTACTING THE COMMUNICATION UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the Communication Utility's finances and operating activities. If you have any questions or require additional information please contact Manning Municipal Communications and Television System Utility, 719 Third Street, Manning, Iowa 51455.

BASIC FINANCIAL STATEMENTS

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Current Assets		
Cash	\$ 183,480	\$ 336,009
Restricted cash - customer deposits	2,700	1,850
Accounts receivable – customers	52,858	31,462
Allowance for doubtful accounts – customers	(170)	(249)
Accounts receivable - carrier access fees	146,262	142,246
Allowance for doubtful accounts – carrier fees	(93,806)	(26,902)
Accrued interest receivable	-0-	277
Due from Light Dept. – Wage reimb.	-0-	5,296
Accounts receivable – misc.	1,903	2,103
Inventory	41,481	43,139
Prepaid expenses	<u>4,573</u>	<u>3,889</u>
Total Current Assets	339,281	539,120
Capital Assets		
Headhouse	62,741	62,741
Distribution	40,152	40,152
General	49,561	41,065
Internet	166,866	119,799
Telephony	<u>839,861</u>	<u>771,793</u>
	1,159,181	1,035,550
Less: Accumulated depreciation	<u>(589,487)</u>	<u>(484,872)</u>
Net Capital Assets	569,694	550,678
Total Assets	<u>\$ 908,975</u>	<u>\$1,089,798</u>

See notes to financial statements.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

Exhibit A
(continued)

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
Current Liabilities		
Accounts payable - operating	\$ 93,207	\$ 22,510
Accounts payable - service	24,907	86,730
Sales tax payable	3,406	1,064
Deferred income	26,076	26,461
Customer deposits payable	2,700	1,850
Accrued sick leave/vacation/PTO payable	8,150	5,446
Other taxes payable	10,008	3,824
Accrued interest payable	42,013	30,025
Real estate taxes payable	6,190	7,224
Note payable – TSB	691	4,755
Total Current Liabilities	<u>217,348</u>	<u>189,889</u>
Long-Term Liabilities, Notes Payable to other municipal departments	<u>800,000</u>	<u>800,000</u>
Total Liabilities	<u>1,017,348</u>	<u>989,889</u>
Net Assets		
Invested in capital assets, net of related debt	-0-	-0-
Restricted for:		
Customer deposits	2,700	1,850
Unrestricted (Deficit)	<u>(111,073)</u>	<u>98,059</u>
Total Net Assets (Deficit)	<u>(108,373)</u>	<u>99,909</u>
Total Liabilities and Net Assets	<u>\$ 908,975</u>	<u>\$1,089,798</u>

See notes to financial statements.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues - Subscriber Fees		
Basic T.V.	\$ 163,332	\$ 165,090
Single movie	4,792	5,597
Double movie	5,535	5,858
Three or more movies	<u>6,680</u>	<u>5,678</u>
	180,339	182,223
Cost of Sales - Signal Charges		
National Cable Television Coop.-Various	123,075	106,269
United Video/WGN	1,234	1,186
USA Network	2,362	4,234
Lifetime	<u>2,635</u>	<u>2,485</u>
	<u>129,306</u>	<u>114,174</u>
Net Revenues from Subscriber Fees	51,033	68,049
Operating Revenues - Telephone Charges		
Local access	168,413	165,865
Local tolls	90,412	78,356
Carrier access fees	202,152	216,081
Circuit revenue	-0-	13,271
USAC revenue	1,894	7,000
Calling features	<u>12,901</u>	<u>10,675</u>
	475,772	491,248
Cost of Sales - Telephone		
Local switching fees	83,120	67,380
Long distance switching fees	31,648	33,168
Switching fees - Templeton	8,000	18,000
Carrier access fees	60,914	86,092
Local billing fees	19,213	22,510
Subscriber services	14,939	15,200
Circuit expense	-0-	10,820
USAC expense	<u>1,437</u>	<u>-0-</u>
	<u>219,271</u>	<u>253,170</u>
Net Revenues from Telephone Charges	256,501	238,078

Exhibit B
(continued)

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues - Internet		
Unlimited service	\$ 16,964	\$ 18,165
Unlimited service on contract	19,912	22,956
Ten hour plan	4,336	4,524
Cable modem income	75,804	74,268
Other fees	3,224	4,427
Wireless internet	<u>6,321</u>	<u>4,710</u>
	126,561	129,050
Cost of Sales - Internet		
Internet expenses	<u>53,803</u>	<u>52,196</u>
Net Revenues from Internet Charges	72,758	76,854
Other Operating Revenues		
Advertising Fees – Channel 22	2,251	2,568
Remotes	528	572
Miscellaneous	1,101	1,053
Hookup fees – Cable	465	810
Reconnect charges – Cable	275	2,775
Service charges	2,819	5,980
Directory fees – phone books	-0-	4,024
Salary reimbursement – Light Dept.	4,716	9,178
Signal charges	1,400	16,332
Pager fees	<u>510</u>	<u>430</u>
	<u>14,065</u>	<u>43,722</u>
Net Operating Revenues before Expenses	394,357	426,703
Operating Expenses (See Schedule 1)	<u>569,568</u>	<u>532,024</u>
Net Operating Income (Loss)	(175,211)	(105,321)
Non-operating Revenues (Expenses)		
Interest income	9,107	5,725
Interest expense	<u>(42,178)</u>	<u>(30,429)</u>
Total Non-operating Revenues (Expenses)	<u>(33,071)</u>	<u>(24,704)</u>
Change in Net Assets	(208,282)	(130,025)
Total Net Assets, Beginning	<u>99,909</u>	<u>229,934</u>
Total Net Assets, Ending (Deficit)	<u>\$ (108,373)</u>	<u>\$ 99,909</u>

See notes to financial statements.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from operating activities:		
Cash received from customers and users	\$ 823,700	\$ 784,975
Cash received from other revenues	19,561	38,426
Cash paid to suppliers	(463,229)	(388,307)
Cash paid for personal services	(254,193)	(291,058)
Cash paid to employees	<u>(129,867)</u>	<u>(146,043)</u>
Net cash used by operating activities	(4,028)	(2,007)
Cash flows from noncapital financing activities:		
Change in customer deposits	<u>850</u>	<u>100</u>
Net cash provided by noncapital financing activities	850	100
Cash flows from capital and related financing activities:		
Proceeds received on note	-0-	-0-
Acquisition of capital assets	(123,631)	(28,581)
Interest paid on notes	(30,190)	(26,250)
Principal paid on notes	<u>(4,064)</u>	<u>(3,805)</u>
Net cash used by capital and related financing activities	(157,885)	(58,636)
Cash flows from investing activities:		
Interest on investments	<u>9,384</u>	<u>5,448</u>
Net cash provided by investing activities	9,384	5,448
Net decrease in cash and cash equivalents	(151,679)	(55,095)
Cash and cash equivalents beginning of year	<u>337,859</u>	<u>392,954</u>
Cash and cash equivalents end of year	<u>\$ 186,180</u>	<u>\$ 337,859</u>

See notes to financial statements.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

Exhibit C
(continued)

Reconciliation of operating income to net cash provided by operating activities:	<u>2006</u>	<u>2005</u>
Operating income (loss)	\$ (175,211)	\$ (105,321)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	104,615	104,506
(Increase) decrease in customer accounts receivable	41,413	(16,561)
(Increase) decrease in other receivables	5,496	(5,296)
(Increase) decrease in inventories	1,658	5,495
(Increase) decrease in prepaid expenses	(684)	(33)
Increase (decrease) in accounts payable	8,874	27,595
Increase (decrease) in sales tax payable	2,342	(598)
Increase (decrease) in salaries payable	2,704	(779)
Increase (decrease) in deferred income	(385)	(985)
Increase (decrease) in other payables	5,150	(10,030)
Net cash provided by operating activities	<u>\$ (4,028)</u>	<u>\$ (2,007)</u>

Reconciliation of cash and cash equivalents at year end to specific assets included on the Balance Sheets:

Current assets:		
Cash and pooled investments	\$ 183,480	\$ 336,009
Restricted assets:		
Cash and pooled investments:		
Customer deposits	<u>2,700</u>	<u>1,850</u>
Cash and cash equivalents end of year	<u>\$ 186,180</u>	<u>\$ 337,859</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Manning Municipal Communications and Television System Utility is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utility is governed by a five member board of trustees appointed by the City Council. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Manning Municipal Communications and Television System Utility has no component units which meet the Governmental Accounting Standards Board criteria.

The financial statements include only those funds of the Manning Municipal Communications and Television System Utility and are not intended to present all funds of the City of Manning, Iowa.

Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the Utility. Some Utility officials are members of the following boards: Manning Municipal Light Plant and the Manning Municipal Gas Department.

Nature of Business

The Manning Municipal Cable Board was established October 12, 1981, by the Manning City Council, for the purpose of designing, implementing, constructing, operating and maintaining the Manning Municipal Cable System, located in Carroll County and operating in the City of Manning, Iowa.

By vote of a special election held September 24, 1996, a municipal cable communication and television system utility was subsequently established on January 23, 1997. The Manning Municipal Cable T.V. Board formally transferred all of the Cable T.V.'s assets, liabilities, retained earnings, powers, records, and unfinished business at January 23, 1997 to the Manning Municipal Communications and Television System Utility. With that action, all official records of the Manning Municipal Cable T.V. were closed.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nature of Business (continued)

As of the transfer date, the Manning Municipal Communications and Television System Utility Board acquired all powers as authorized by law and shall provide all services it deems necessary and convenient as permitted by law including, without limitation, video, voice, telephone, data, communication, interconnections and all other forms of communications, whether to date existing or yet to be developed as set forth in a resolution adopted by the Manning City Council on November 4, 1996.

The mission of the Manning Municipal Communications and Television System Utility shall be to develop and implement a comprehensive communications system incorporating the elements of telephony, cable television, broadband communications and any other technologies approved by the Utility Board.

The Utility's revenues are dependent upon the economic status of its customers. Collection policies have been established.

The Utility also charges carrier access fees to other telephone companies for the use of MMCTSU's telephone lines.

Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary fund of the Communication Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncement conflict with or contradict GASB Pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Communication Utility are charges to customers for sales and services and charges to various phone companies for carrier access billings. Operating expenses for the Communication Utility include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Communication Utility's accounting records are maintained by the City on the cash basis. However, for financial reporting purposes, the accounting records have been adjusted to the accrual method which recognizes income when earned and expenses when incurred.

The Balance Sheet presents the Communication Utility's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets. MMCTSU's outstanding debt attributable to capital assets exceeds the net capital assets. Therefore, the invested in capital assets, net of related debt, is being shown at zero so that the unrestricted net assets is not overstated.

Restricted net assets result when constraints placed on net asset use are externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis. The budget of the Utility is submitted with that of the City of Manning following required public notice and hearing. The budgetary comparison and related disclosures are reported as part of the basic financial statements rather than as Required Supplementary Information.

Cash

Cash consists of cash in checking and savings accounts.

Accounts Receivable-Customers

Accounts receivable are presented at their net realizable values. A provision for doubtful accounts is considered unnecessary as most accounts are required to be paid in advance.

The Cable T.V. billing is sent out the 10th of each month along with the customer's electrical bill. This bill is then due on the 30th of that month and is for the next month's activity. If the customer is late with their payment, then MMCTSU sends out a delinquent notice. No surcharge penalty is added to the bill. However, if the customer's service is terminated, then the customer would be required to pay a \$25 reconnect fee.

The long distance portion of the telephone bills are prepared by an outside company whereas the local fees are generated in-house. The bills are sent out on the 15th of each month and cover the long distance phone calls for the previous month and the internet and local phone service for the next month. The customers have 20 days to pay their bills before a 1.5% penalty of the total bill gets added to their accounts. They would have another 10 days from the original due date of their bill to pay the account before disconnection procedures will occur. A \$20 reconnect fee would then apply.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable - Carrier Access Billings (CABS)

These are fees due from various phone companies when MMCTSUs customers select another phone company for their long distance phone services. As of December 31, 2006 and 2005, the allowance for doubtful accounts for CABS was \$93,806 and \$26,902, respectively. The allowance for doubtful accounts for CABS is so large because in 2006 any CABS over one year old were put into this account. In the past, we had not written all of them off and thought a large percentage would be collected. That is no longer the case.

Various phone companies are billed by an outside Company on behalf of MMCTSUs for long distance wire usage. After MMCTSUs collects the money, approximately 40% to 42% then gets paid to their provider, Long Lines. There are several long distance phone companies who are way behind on their carrier access fees. As of yet, no penalties have been assessed to these phone companies for the unpaid fees.

Effective December 1, 2006, MMCTSUs no longer has a contract with Long Lines. As of that date, MMCTSUs uses Templeton Telephone Company to provide carrier long distance service. This replaces the service Long Lines provided up to December 1, 2006. As of that date, MMCTSUs will get to keep all of the carrier access fees they collect and will no longer pay 40% of them to Long Lines.

Inventory

Materials and supplies are stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

Advertising

Advertising costs are expensed as incurred. Advertising expense, was \$960 and \$4,119 for the years ended December 31, 2006 and 2005, respectively. For December 31, 2005, the advertising expense included new telephone directories for \$2,593.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets include property, plant and equipment and they are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Land, Buildings, Improvements, Towers and Antennas	25 - 40 years
Earth Station, Electronics and Service Drops	10 - 15 years
Convertors and Remotes	10 years
Traps and Other Equipment	5 - 15 years
Internet Equipment	5 - 10 years
Telephony Equipment	5 - 10 years

Capital assets activity for the year ended December 31, 2006 is summarized by the following:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Capital Assets	\$1,035,550	\$ 123,631	\$ -0-	\$1,159,181
Less: Accum. Deprec.	<u>484,872</u>	<u>104,615</u>	<u>-0-</u>	<u>589,487</u>
Capital Assets, Net	<u>\$ 550,678</u>	<u>\$ 19,016</u>	<u>\$ -0-</u>	<u>\$ 569,694</u>

Depreciation Charged \$ 104,615

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments that materially extend the life of an asset are capitalized.

The cost and related accumulated depreciation on capital assets sold or retired are eliminated from the accounts at the time of sale or retirement and the resulting gain or loss is reflected in other revenue (expense).

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer Deposits

Customer deposits are collected from new customers before their service is turned on. If the customer is already a member of another local utility, then the deposit is waived. Customers in good standing will get a full refund of their deposit after six months of service has passed.

Operating Revenues

For Cable T.V., revenues are based on billing rates for subscriber fees to cable television. These subscriber fees are normally collected one month in advance.

Internet fees are billed to customers by MMCTSU one month in advance. Long Lines provides dial up internet access and related services to MMCTSU on a wholesale basis. High speed internet access is provided by MMCTSU and thus none of these fees are paid back to Long Lines.

For telephone service, local access fees are billed one month in advance as where long distance toll services are billed out after the calls occur. Carrier access fees are billed out to the various Long Distance Carriers for their line access charges after the charges are incurred. Several Carrier Access Billings (CABS) are being disputed with several different telephone companies which may result in a rate adjustment or a bankruptcy claim. In either event, there is a potential for uncollectible accounts when it comes to the CABS. All of the uncollected CABS which are over one year old have been put into the Allowance for Doubtful Accounts – Carrier Fees.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that offset certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE B - DEPOSITS AND INVESTMENTS

The Utility's deposits at December 31, 2006, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility cash and investments at December 31, 2006 are as follows:

	<u>Cash</u>
Restricted - Customer Deposits	\$ 2,700
Unrestricted	<u>183,480</u>
	<u>\$ 186,180</u>

NOTE C - RELATED PARTY TRANSACTIONS

1. JOINT USE AGREEMENT

On July 25, 2001, the Manning Municipal Light Plant and the Manning Municipal Communications and Television System Utility entered into a joint agreement in regards to a communications distribution system. The communications distribution system is and shall remain the sole property of the Electric Utility. However, the Communications Utility has been granted the right to use the distribution system, the headend building, and the Municipal building for its functions for a term of twenty-five years. The Communication Utility is required to pay \$170,849 every year for twenty-five years. The first payment was made on June 30, 2002.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE C - RELATED PARTY TRANSACTIONS (continued)

2. OTHER

- A. Employees of the Manning Municipal Light Office are utilized as needed in the operation of the Manning Municipal Communications and Television System Utility business. The Manning Municipal Communications and Television System Utility reimburses the Light Office for the employees' time and vice versa.
- B. The City of Manning bills all subscribers each month for Cable T.V. fees due. All subscriber fees are collected by the City of Manning and are remitted to the Manning Municipal Communications and Television System Utility as fees are received.

NOTE D - RELATED PARTY - NOTES PAYABLE

2006

2005

Note Payable to Manning Municipal Light Plant in the original amount of \$500,000 to be used for the broadband communications system. The interest rate shall be adjusted annually on July 1st of each year to an amount which is equal to 1% more than a one year certificate of deposit at Templeton Savings Bank. The interest rate on July 1, 2005 was 4.55% and the interest rate on July 1, 2006 was 6.05%. The Communication's net revenues shall be pledged to pay off amounts due as allowable.

\$300,000

\$300,000

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE D - RELATED PARTY - NOTES PAYABLE (continued)

	<u>2006</u>	<u>2005</u>
<p>Note Payable to Manning Municipal Gas Department in the amount of \$500,000 to be used for the broadband communications system. The interest rate shall be adjusted annually on July 15th of each year to an amount which is equal to 1% more than a one year certificate of deposit at Templeton Savings Bank. The interest rate on July 15, 2005 was 4.33% and the interest rate on July 15, 2006 was 6.25%. The Communication's net revenues shall be pledged to pay off amounts due as allowable.</p>	<p>500,000 800,000</p>	<p>500,000 800,000</p>
<p>Less: Current Portion</p>	<p><u>-0-</u></p>	<p><u>-0-</u></p>
	<p><u>\$800,000</u></p>	<p><u>\$800,000</u></p>

The above notes payable with Manning Municipal Light Plant and Manning Municipal Gas Department do not have a specific payoff schedule. Payments made depend upon the net revenues of the Communication Utility. In 2004, the Manning Municipal Light Plant forgave \$200,000 of their note to the Communication Utility.

NOTE E - SHORT TERM NOTE PAYABLE

	<u>2006</u>	<u>2005</u>
<p>Note Payable to Templeton Savings Bank at a 6.00% interest rate. Note was taken out on February 20, 2003. Payable on demand, but if no demand is made then 48 monthly payments of \$352.36 beginning March 22, 2003. This note is secured by a 2003 Chevy S-10 pickup.</p>	<p><u>\$ 691</u></p>	<p><u>\$ 4,755</u></p>

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE F - SIGNAL CHARGE COMMITMENTS

Manning Municipal Communications and Television System Utility has contracted with the following companies for distribution of that company's programming over the Manning Cable System.

<u>Name</u>	<u>Agreement Expiration Date</u>	<u>Utility's Monthly Cost Per Subscription as of 12-31-06</u>
1. National Cable Television Cooperative:		
a) ABC Family Channel	Dec. 31, 2006	\$.265
b) Home Box Office	Nov. 30, 2006	\$ 9.420
c) Cable News Network	June 30, 2008	\$.564
d) Discovery Channel	Feb. 28, 2006	\$.377
e) Turner Network Television	Dec. 31, 2008	\$.973
f) Cinemax	Nov. 30, 2007	\$ 5.026
g) Home & Garden T.V.	Dec. 31, 2009	\$.160
h) Turner Classic Movies	Apr. 15, 2008	\$.255
i) ESPN & ESPN 2	July 31, 2007	\$ 3.883
j) TBS - Super Station	Dec. 31, 2008	\$.410
k) Disney Channel	Dec. 31, 2006	\$.914
l) Showtime	Feb. 28, 2007	\$ 7.540
m) The Movie Channel	Feb. 28, 2007	\$ 4.600
n) Hallmark Channel	Dec. 31, 2006	\$.140
o) The Weather Channel	Feb. 27, 2008	\$.187
p) Toon Disney	Dec. 31, 2006	\$.110
q) A & E Network	Dec. 31, 2006	\$.250
r) The History Channel	Dec. 31, 2006	\$.250
s) TV Land	Dec. 31, 2009	\$.131
t) TLC	Dec. 31, 2008	\$.242
u) Travel Channel	Dec. 31, 2007	\$.095
v) Comedy Central	Dec. 31, 2006	\$.183
w) FX Network	Jan. 31, 2007	\$.405
x) Outdoor Channel	Jan. 31, 2007	\$.072
y) Golf Channel	Dec. 31, 2010	\$.250
z) Spike TV	Dec. 31, 2009	\$.378

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE F - SIGNAL CHARGE COMMITMENTS (continued)

<u>Name</u>	<u>Agreement Expiration Date</u>	<u>Utility's Monthly Cost Per Subscription as of 12-31-06</u>
aa) Nickelodeon	Dec. 31, 2009	\$.554
bb) VH-1	Dec. 31, 2009	\$.172
cc) MTV Music Television	Dec. 31, 2009	\$.387
dd) CMT	Dec. 31, 2009	\$.117
ee) Fox News	Oct. 7, 2007	\$.400
ff) Speed Channel	Dec. 31, 2007	\$.204
gg) USA Network	Dec. 31, 2006	\$.670
hh) Food Network	Dec. 31, 2006	\$.110
3. Lifetime	Dec. 31, 2009	\$.390
4. Tower Dist. Co./WGN	July 31, 2008	\$.190
5. Fox Sports	Dec. 31, 2006	\$ 1.570
6. T.V.Guide Channel	Dec. 31, 2006	\$ 1.021

NOTE G - CONTRACT COMMITMENTS

In April 1999, the contract that Pioneer had with Manning Light Plant in regards to internet was transferred over to the Manning Municipal Communications and Television System Utility. The contract stated that Pioneer would supply the Utility with internet communication network and the Utility will provide equipment needed at the connection sight. Pioneer and the Utility would then go into a 50/50 share of monthly expenses and revenues. Beginning in December 2000, MMCTSU started billing customers for internet directly and then paying Pioneer for their half.

Effective January 1, 2003, the above 50/50 share agreement has been replaced with a Wholesale Internet Agreement with Pioneer Teletechnologies. Pioneer will provide internet access, connectivity, and related services to MMCTSU on a wholesale basis. MMCTSU, in turn, will market such services as a retailer to end users over its local network. Therefore, MMCTSU no longer pays Pioneer 50% of net revenues, but rather specified fees for dial up access, connectivity, and services. MMCTSU only uses Pioneer for their dial up customers. High speed internet customers do not fall under this agreement.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE G - CONTRACT COMMITMENTS (continued)

On May 21, 1998, the Utility Board of the Manning Municipal Communications and Television System Utility approved and agreed to enter into a Communication and Information Services Agreement with Pioneer Teletechnologies, LLC, a Delaware limited liability company. This contract states that the Utility will use Pioneer Teletechnologies as their provider for telephony services. Effective December 1, 2006, this contract ended.

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for video signal. TTC wishes to obtain a cable television signal from MMCTSU for transmission via TTC's Cable Television System. MMCTSU agrees to provide such a signal subject to certain terms and conditions. MMCTSU billed TTC for the first time in January 2005 for these video signal services in the amount of \$1,400 per month. In December 2005, MMCTSU signed on Addendum to this agreement in which MMCTSU will not charge TTC for video signals from December 1, 2005 until December 1, 2006. (Foregoing charges of \$16,800). Beginning December 1, 2006, MMCTSU again charged TTC \$1,400 per month for video signal.

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for switching services. TTC is a local telecommunications carrier with a particular expertise in the provision of certain switching functions and feature applications for the transmission, reception, monitoring, and routing of telecommunications traffic. MMCTSU began using TTC's switching services in December 2006 and ended their contract with Long Lines.

In 2005, MMCTSU entered into a Video Signal Agreement with Scranton Telephone Company (STC). STC is a telecommunications company that wishes to provide cable television service to its customers in the Scranton franchise areas. STC wishes to obtain a cable television signal from MMCTSU for transmission via STC's cable television system. MMCTSU agrees to provide such signal subject to the terms and conditions spelled out in the agreement. The agreement shall continue in full force and effect until January 1, 2015. The rate for this video signal is a monthly charge of \$250. However, MMCTSU acquired some used equipment from STC in 2006, and all signal charges will be waived and offset against the cost of the equipment until it is paid for. The value of the equipment was listed at \$6,255, so MMCTSU will not start billing STC signal charges until December 2007.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE G - CONTRACT COMMITMENTS (continued)

Effective December 1, 2006, the Communication and Information Services Agreement between Long Lines and MMCTSU was terminated. MMCTSU agreed to pay Long Lines \$30,000 in exchange for a general release of all claims of Long Lines relating to the Agreement. At the termination of the Agreement, Long Lines will have the option to either remove its related equipment from its present location in the City Utilities' Building or pay the City \$200 per month for the right to continue its use of the facility.

Beginning December 1, 2006, Mid America Computer Corporation (MACC) will provide data processing, related reports, and other related billing services to MMCTSU. The services that MACC shall provide include such services as rating, toll billing statements, local exchange service billing statements, carrier access billing service, consolidated carrier access collection and remittance services, mailing, and application service provider. Either party without cause, may terminate this agreement with a written 30 day notice.

Iowa Network Services, Inc. (INS) offers a Switching and Transport Agreement to MMCTSU for both originating and terminating traffic, which virtually extends the MMCTSU's network from the point where it interconnects with the INS network to the meet point of the Commercial Mobile Radio Service (CMRS) provider. This will enable MMCTSU to originate traffic to and receive wireless traffic from any CMRS provider. This agreement shall have an initial term of two years. It shall thereafter remain in full force and effect for successive terms of two years each, subject to the right of either Party to give the other Party written notice of its intent to terminate the agreement not less than 120 days prior to the expiration of the then current term.

MMCTSU also has a Consolidated Billing Agreement with INS. INS will perform monthly settlements for reciprocal compensation traffic measurements, bill issuance, bill consolidation, bill collection service and disbursement of the net amounts due per contract terms, between MMCTSU and CMRS providers. This agreement shall remain in effect until cancelled by either party by written notice to the other party of not less than 120 days.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE H - PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Utility is required to contribute 5.75% of covered salaries. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ended December 31, 2006 and 2005 were \$6,872 and \$6,923 respectively, equal to the required contributions for each year.

NOTE I - COMPENSATED ABSENCES

Effective January 1, 2005, MMCTSU adopted a new paid time-off all purpose policy for eligible employees to use for vacation, illness, and personal business. It combined traditional vacation and sick leave plans into one flexible, paid time-off policy. Under the new PTO (Paid Time Off) policy, MMCTSU's liability is limited to 240 hours by capping the number of hours that can be accrued and paid out upon termination. After an employee accumulates 240 hours, the remaining hours roll into a LTB (Long Term Bank). The hours in the LTB are not paid out upon termination and are capped at 960 hours.

The PTO is paid at the employee's base rate of pay at the time of absence. In the event that available PTO is not used by the end of the benefit year, employees may carry up to 240 hours to the next benefit year. The hours in the LTB can only be used for family or personal illness and all regular PTO hours must be used before using LTB hours.

The accumulated liability for PTO totaled \$8,150 as of December 31, 2006 and \$5,446 as of December 31, 2005.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE J - RISK MANAGEMENT

Manning Municipal Communications and Television System Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE K - COMPARISON OF DISBURSEMENTS WITH BUDGET

The Manning Municipal Communications and Television System Utility prepares their budget annually on an accrual basis of accounting. The disbursements may not legally exceed budgeted appropriations at the functional level. Actual disbursements for the year ended December 31, 2006 exceeded the final statutory budget.

<u>Disbursements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> (Unfavorable)
Business – Type activity	<u>\$830,893</u>	<u>\$1,014,126</u>	<u>\$(183,233)</u>

NOTE L – DEFICIT BALANCES

MMCTSU had a fund deficit of \$108,373 for the year ended December 31, 2006. There was not a deficit balance as of December 31, 2005. MMCTSU feels this deficit can be eliminated as more customers hook up to their telephone, internet, and cable T.V. services.

NOTE M - SUBSEQUENT EVENTS

MMCTSU will try to collect on past due amounts from various phone companies who have not kept current on the amount of money they owe Manning Municipal Communications and Television System Utility for carrier access fees. These billings amount to a substantial amount of money. Some of these phone companies have filed bankruptcy as well.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE M - SUBSEQUENT EVENTS (continued)

In July 2007, MMCTSU sent a letter to Long Lines in regards to a Final Payment for Release of Claims. This letter stated that once MMCTSU made their final payment for the contract release in the amount of \$15,024 that all past due uncollected CABS revenue or any other telephone related expenses would no longer be owed to Long Lines. Long Lines would also be exempt from the agreed upon rent of \$200 per month until July 2009. Long Lines has not yet signed this release form. As of the date of this report, MMCTSU has not yet paid Long Lines their final \$15,024. However, MMCTSU and Long Lines have verbally agreed to the above.

There were several resignations which occurred after December 31, 2006. Three MMCTSU board officials resigned in February 2007, and the MMCTSU Technical Manager resigned in May 2007.

There was a LOI Response due by April 30, 2007 to the FCC Enforcement Bureau. This letter was to prove that MMCTSU had a CPNI Policy. The LOI Response did not get filed until May 11, 2007, so there is a possible \$4,000 fine for filing late. Kim Wild with the FCC Enforcement Bureau said she would recommend waiving the \$4,000 fine, but this would have to be approved by several boards.

New for 2007 is CALEA (Communication Assistance for Law Enforcement Act). In order to be in compliance with CALEA, MMCTSU needed to complete the following items by May 14, 2007: 1) Letter of Intent 2) SSI Manual 3) Two Questionnaires 4) LEA Notification Letters and 5) Form 445. However, these items did not get completed until May 17, 2007. There is potential for a \$10,000 fine per day every day after the effective date of May 14, 2007. MMCTSU has requested the fines be waived and as of July 24, 2007, MMCTSU has not heard any more about the fines.

SUPPLEMENTAL INFORMATION

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

OPERATING EXPENSES	<u>2006</u>	<u>2005</u>
Headhouse – Power	\$ 86	\$ -0-
Headhouse – Maintenance	4,390	3,174
Headhouse – Other	234	367
Accounting	8,500	6,345
Advertising	960	4,119
Bad debts	41,781	172
Bank charges	-0-	53
Contract labor – Channel 10	411	-0-
Computer expense	2,983	2,120
Depreciation	104,615	104,506
Donations	135	335
Dues and subscriptions	3,641	4,538
Employee insurance	19,558	20,272
Engineering services	200	1,235
Insurance	13,047	12,790
Legal publication	917	598
Legal and professional services	740	6,801
Maintenance - Line	5,506	4,162
Maintenance – Tower	525	-0-
Miscellaneous	2,825	2,214
Mileage reimbursement	364	1,960
Pagers	616	14
Payroll taxes	15,695	16,046
Postage	4,246	4,379
Property taxes	5,673	2,531
Rent - Distribution system	170,849	170,849
Safety Program	-0-	609
Seminars & meetings	3,178	856
Supplies – General	778	1,826
Software maintenance	838	-0-

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Schedule 1
(continued)

OPERATING EXPENSE (continued)	<u>2006</u>	<u>2005</u>
Supplies – Office	\$ 921	\$ 1,358
Small tools	1,039	1,269
Telephony equipment expense	194	440
Telephone	4,948	4,947
Trustee fees	1,497	2,995
Uniforms	-0-	518
Utilities	12,017	10,818
Vehicle expense	3,570	3,036
Wages	123,060	128,574
Wage reimbursement – Other	15	1,304
Web page	1,976	425
Wireless internet expense	<u>7,040</u>	<u>3,469</u>
Total Operating Expenses	<u>\$ 569,568</u>	<u>\$ 532,024</u>

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SUMMARY OF CAPITAL ASSETS AND
ACCUMULATED DEPRECIATION

	Capital Assets			
	December 31, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2006</u>
HEADHOUSE				
Building	8,825	-0-	-0-	8,825
Electronics & equipment	<u>53,916</u>	<u>-0-</u>	<u>-0-</u>	<u>53,916</u>
	62,741	-0-	-0-	62,741
DISTRIBUTION				
Service drops	25,219	-0-	-0-	25,219
Converters and remotes	2,670	-0-	-0-	2,670
Traps	<u>12,263</u>	<u>-0-</u>	<u>-0-</u>	<u>12,263</u>
	40,152	-0-	-0-	40,152
GENERAL				
Office Furniture	10,220	-0-	-0-	10,220
Vehicles	421	4,666	-0-	5,087
Equipment	15,986	3,830	-0-	19,816
Internet	<u>14,438</u>	<u>-0-</u>	<u>-0-</u>	<u>14,438</u>
	41,065	8,496	-0-	49,561
INTERNET				
Equipment	111,115	42,400	-0-	153,515
Building	8,684	-0-	-0-	8,684
Vehicles	<u>-0-</u>	<u>4,667</u>	<u>-0-</u>	<u>4,667</u>
	119,799	47,067	-0-	166,866
TELEPHONY				
Building	8,684	-0-	-0-	8,684
Vehicles	15,869	4,666	-0-	20,535
Equipment	736,941	63,402	-0-	800,343
Electronics	<u>10,299</u>	<u>-0-</u>	<u>-0-</u>	<u>10,299</u>
	<u>771,793</u>	<u>68,068</u>	<u>-0-</u>	<u>839,861</u>
Totals	<u>\$1,035,550</u>	<u>\$ 123,631</u>	<u>\$ -0-</u>	<u>\$1,159,181</u>

Schedule 2

Useful Lives	Accumulated Depreciation			
	December 31 2005	Current Provision	Retirement	December 31, 2006
40 years	\$ 223	\$ 221	\$ -0-	\$ 444
10-15 years	<u>14,546</u>	<u>5,126</u>	<u>-0-</u>	<u>19,672</u>
	14,769	5,347	-0-	20,116
15 years	6,463	1,682	-0-	8,145
10 years	1,722	267	-0-	1,989
5 years	<u>9,989</u>	<u>505</u>	<u>-0-</u>	<u>10,494</u>
	18,174	2,454	-0-	20,628
5-10 years	6,383	743	-0-	7,126
5 years	421	816	-0-	1,237
5-15 years	9,543	1,000	-0-	10,543
5-10 years	<u>13,321</u>	<u>1,061</u>	<u>-0-</u>	<u>14,382</u>
	29,668	3,620	-0-	33,288
5-10 years	39,359	12,935	-0-	52,294
39 years	219	218	-0-	437
5 years	<u>-0-</u>	<u>817</u>	<u>-0-</u>	<u>817</u>
	39,578	13,970	-0-	53,548
39 years	219	218	-0-	437
5 years	9,125	3,990	-0-	13,115
5-10 years	368,859	73,531	-0-	442,390
7 years	<u>4,480</u>	<u>1,485</u>	<u>-0-</u>	<u>5,965</u>
	<u>382,683</u>	<u>79,224</u>	<u>-0-</u>	<u>461,907</u>
	<u>\$484,872</u>	<u>\$104,615</u>	<u>\$ -0-</u>	<u>\$589,487</u>

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATISTICAL DATA
DECEMBER 31, 2006
(UNAUDITED)

<u>Movie Subscribers:</u>	<u>Number</u>	<u>Monthly Rates</u>		<u>Total</u>
		<u>Movie Channel</u>	<u>Basic T.V.</u>	
Basic + 1 Movie	37	\$9.50	\$24.00	\$33.50
Basic + 2 Movies	29	\$16.50	\$24.00	\$40.50
Basic + 3 Movies	4	\$22.50	\$24.00	\$46.50
Basic + 4 Movies	4	\$28.00	\$24.00	\$52.00
Basic + 5 Movies	6	\$30.00	\$24.00	\$54.00
Institutional #1	4	\$46.50	\$24.00	\$70.50
Institutional #2	1	\$6.00	\$24.00	\$30.00
Basic + Remote	15	\$2.00	\$24.00	\$26.00
Basic + 1 Movie + Remote	3	\$11.50	\$24.00	\$35.50
Basic + 2 Movie + Remote	2	\$18.50	\$24.00	\$42.50
Basic + 3 Movie + Remote	-	\$24.50	\$24.00	\$48.50
Basic + 4 Movie + Remote	-	\$30.00	\$24.00	\$54.00
Basic + 6 Movies	<u>6</u>	\$32.50	\$24.00	\$56.50
Total Movies Subscribers	111			

Telephone Service Lines:

Residential Lines	520
Business Lines	<u>228</u>
Total Telephone	748

Internet Customers:

		<u>Monthly Rates</u>
Dial-up Internet – Plan I	232	\$22.50
Dial-up Internet – Plan II	72	\$19.95
Dial-up Internet – Plan III	35	\$9.95
Employee Internet	<u>14</u>	\$16.95
Total Dial-Up	353	

Residential Cable Modem	152	\$29.95
Business Cable Modem	<u>18</u>	\$79.95
Total Cable Modem	170	

Wireless Internet	23	\$29.95
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Note: The statistical data is presented on the basis of information on file at the Utility office and is not verified by audit.

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.

Certified Public Accountants

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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

July 30, 2007

To the Board of Trustees of the
Manning Municipal Communications and Television System Utility:

We have audited the accompanying financial statements of the Manning Municipal Communications and Television System Utility as of and for the years ended December 31, 2006, and 2005, and have issued our report thereon dated July 30, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Manning Municipal Communications and Television System Utility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing our opinion on the effectiveness of Manning Municipal Communications and Television System Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manning Municipal Communications and Television System's internal control over financial reporting.

July 30, 2007

Manning Municipal Communications and Television System Utility

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Manning Municipal Communications and Television System Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Manning Municipal Communication and Television System Utility's financial statements that is more than inconsequential will not be prevented or detected by Manning Municipal Communications and Television System Utility's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Manning Municipal Communications and Television System Utility's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-06, II-B-06 and II-C-06, II-D-06, II-F-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Municipal Communication and Television System Utility's financial statements are free of material misstatements, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

July 30, 2007

Manning Municipal Communications and Television System Utility

Page Three

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Manning Municipal Communications and Television System Utility's operations for the year ended December 31, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Municipal Communications and Television System Utility's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Utility's responses, we did not audit Manning Municipal Communications and Televisions System Utility's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of trustees, management and employees of Manning Municipal Communications and Television System Utility, and other parties to whom the Manning Municipal Communications and Television System Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Manning Municipal Communications and Television System Utility during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Heithoff, Hansen, Muhlbauer & Co., P.C.

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.
Certified Public Accountants

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

Part I: Summary of the Independent Auditors' Results

- a) An unqualified opinion was issued on the financial statements.
- b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-06 Segregation of Duties

During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Utility's financial statements. We noted during our audit that a limited number of people are responsible for most of the accounting and financial duties. As a result, an adequate segregation of duties is, for all practical purposes, missing in your Utility.

Recommendation – We recognize that your Utility is not large enough to make the employment of additional people for the purpose of segregation of duties practical from a financial standpoint. However, MMCTSU should review its control procedures to obtain the maximum internal control possible under the circumstances.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

II-A-06 Segregation of Duties (continued)

Response – We will try to use the staff and officials in the most efficient way to achieve maximum internal control possible.

Conclusion - Response acknowledged.

II-B-06 Proper Support Documentation

Several instances were noted where invoices and/or supporting documentation for expenses paid were not available to support the expenditure. A signed copy of the credit card slip is not sufficient documentation to support a claim. There were several instances where the full amount of the monthly credit card was paid, but not all the items billed on the credit card had proper support. There were also instances where other items were paid without proper support besides credit card charges.

Recommendation – All claims for disbursements should have proper supporting documentation. This would include any items charged to the credit card. Each line item on the monthly credit card statement should be supported with an original invoice as well. Proper documentation should be provided on all claims before a claim is paid, no matter who approves the claim.

Response – We will obtain proper support on future claims for expenditures.

Conclusion – Response accepted.

II-C-06 Credit Cards

The Communication Utility has allowed the use of a credit card by certain employees. Total charges of \$15,448 were made with the credit card during 2006 for which supporting documentation was not always available. Several instances were noted where the MMCTSU credit card was used for personal expenses. MMCTSU did approve a written credit card policy in September 2006, and there were no instances of missing documentation or inappropriate charges after that point. The Utility also paid late fees and finance charges of \$634 during the year for the credit card.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

II-C-06 Credit Cards – (continued)

Recommendation – It appears that after MMCTSU adopted a formal written policy regulating the use of credit cards in September 2006 that the problems were no longer occurring. MMCTSU had changed their controls of the credit card at that time and Jeff Carson was removed from the credit card account. The credit card use should be kept to a minimum and also be paid off in a timely manner to limit the additional finance charges. The MMCTSU credit card should never be used for personal items, regardless if the employee reimburses MMCTSU. MMCTSU should continue to enforce and oversee all of the rules stated in the written policy and make updates to the policy when needed.

Response – We will continue to pay close attention to credit card charges and make sure the written credit card policy is followed.

Conclusion – Response accepted.

II-D-06 Inventory Control

It had been noted that MMCTSU has acquired used equipment from the various towns that service has been extended to. There appears to be no documentation to support the acquisition or bartering of used equipment. There are also no controls in place to track the inventory on hand of used equipment since the Utility is not paying a dollar amount for it. The controls over new equipment also need to be tighter so that you can track inventory coming and going.

Recommendation – We recommend that a perpetual inventory system be used for all acquisitions of equipment, and the trading or disposal of equipment carefully documented. This system will allow the Utility to better safeguard and control inventory.

Response – We will have all employees fill out the proper paperwork as inventory comes in or goes out and consider establishing a written policy.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

II-E-06 Conflict of Interest

The Technical Manager of the Manning Municipal Communications and Television System Utility Manager operates his own telephone equipment sales and installation company. This would appear to represent a conflict of interest.

Recommendation – If any employee of MMCTSU operates a business with a conflict of interest, the board needs to take much more responsibility with the items being ordered. A closer review of the invoices should be performed.

Response – We will review some of the questionable disbursements. Also the Technical Manager no longer works at MMCTSU as of May 2007.

Conclusion – Response accepted.

II-F-06 Reconciliation of Cash in Bank

Monthly cash in bank reconciliations were not being balanced with the trial balance figures each month. Reconciliations for deposits to Cash in Bank against revenues received and recorded to the general ledger were not performed. There were also withdraws from the bank account which were not getting properly recorded to the general ledger.

Recommendation – Each month the bank reconcilment should agree with what is posted on the general ledger. This should be done on a timely manner, and the errors should be found and corrected before the next month's activity gets to be too far along.

Response – We are aware that this should be done. We were unable to get it into balance and needed additional assistance. In the future we will try to get assistance, if needed, before the year gets to be so far along.

Conclusion – Response accepted.

II-G-06 Posting General Ledger Items in the Proper Year

At the end of 2006, for some unknown reason, some of the revenues and expenses for November and December of 2006 were not posted to the proper accounting period. They were posted to the 2007 file instead of the 2006 file. This, of course, made the books totally off.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

II-G-06 Posting General Ledger Items in the Proper Year (continued)

Recommendation – All reports need to be run and balanced at the end of the year so they are ready to be audited. If there is a problem, then seek additional help before the year gets too far along.

Response – We do not understand how these random items ended up getting posted in the wrong file year. They had been posted, but just not to the proper year. We will keep an eye on this at the end of 2007 to make sure this does not happen again.

Conclusion – Response accepted.

II-H-06 Invoice Paid Twice

There was one invoice in the amount of \$14,976 to Long Lines that was paid twice. Part of the problem was a lack of communication between employees in regards to what was still owed to Long Lines and not having an invoice to support a claim requested by the Technical Manager. Therefore, the Office Manager requested an invoice from Long Lines, and Long Lines ended up faxing a copy of the same invoice which MMCTSU had already paid. The items may have crossed in the mail. However, MMCTSU then used this faxed copy to substantiate the second payment. Long Lines ended up applying this second payment to past due CABS, which is not what it was intended for.

Recommendation – All invoices should be stamped "paid" to prevent re-use. However in this case, had the employee entered the invoice number into the system, it should have told them it had already been paid. MMCTSU should review these control procedures with their software company to make sure they are put into place.

Response – We will review our control procedures to make sure things like this do not happen again.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

Part III: Other Findings Related to Required Statutory Reporting:

III-A-06 Certified Budget

The Utility budgeted on the calendar year and it was properly published. The disbursements during the year ended December 31, 2006, exceeded the amounts budgeted by the Manning Municipal Communications and Television System Utility.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-06 Questionable Disbursements

Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or proper documentation failed to exist. These disbursements are detailed as follows:

<u>Paid To</u>	<u>Transaction Description</u>	<u>Amount</u>
White Cap Construction Supply	Jeff Carson's personal climbing harness	\$ 352
Best Buy	1-12-06 Credit Card Charge- No Support	\$ 148
Compu USA	1-12-06 Credit Card Charge - No support	\$ 106
TIVO Store	1-20-06 Credit Card Charge - No support	\$ 404

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

III-B-05 Questionable Disbursements (continued)

Neo Tek Enterprises, Inc.	Toshiba 80 gb Laptop HDD- Jeff Carson's personal	\$ 159
Newegg	Computer equipment- Jeff Carson's personal	\$ 496
Emerging Technologies	2 Guest Luncheons – Meeting attended by Jeff Carson	\$ 100

Recommendation - MMCTSU should seek reimbursement from Jeff Carson for personal items which were paid by MMCTSU. MMCTSU should also seek reimbursement from Jeff Carson for the guest luncheon paid by MMCTSU at a meeting he attended.

The Board should request receipts for all credit card charges and document the public purpose. If no invoice is available and public purpose cannot be documented, then MMCTSU should request reimbursement.

Response – We will seek reimbursement from Jeff Carson for personal items paid by MMCTSU on his behalf. We have adopted a written credit card policy in September 2006 which states all credit card charges that are not supported with an invoice will need to be reimbursed by the person who made the charge. We will document the public purpose in the future on all questionable claims.

Conclusion – The Trustees need to follow up on seeking reimbursement from Jeff Carson.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

III-C-06 Travel Expense

No expenditure of Utility money for travel expenses of spouses of Utility officials or employees were noted. No travel advances to Utility officials or employees were noted.

In August 2005, the Board established a meal allowance of \$46 per day per employee. The Board also agreed to pay the federal mileage reimbursement rate to employees who use their privately owned vehicles while on Utility business.

III-D-06 Business Transactions

Business transactions between the Utility and Utility officials and/or employees are as follows for the year ending December 31, 2006:

<u>Name, Title and Business Relationship</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Soll, Board Member, Soll's Service Inc., part owner	Filters, freon, labor	<u>\$ 230</u>
John Detlefsen, Board Member, Detlefsen Electric, owner	PVC pipe	<u>\$ 15</u>
Wendel Kahl, Employee, Kahl Computer Consulting, Owner	Network infer-face card	<u>\$ 20</u>
Jeff Carson, Technical Manager, Contract Services	Contract Services Computer Equipment	\$ 5,513 496 <u>\$ 6,009</u>

In accordance with Chapter 362.5 (10) of the Code of Iowa, the transaction with Jeff Carson, stated above does appear to represent a conflict of interest since it was over \$2,500 and not competitively bid.

Recommendation – The Utility should consult legal counsel to determine the disposition of this matter.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

III-D-06 Business Transactions (continued)

Response – Jeff stepped in and worked extra hours after almost the entire clerical staff quit at MMCTSU, Manning Light, and the City of Manning. The above contract services were spent working on the books for the City and Light Department after he put in his normal 8 hour day for MMCTSU. If this would happen again, Jeff should send a personal bill to each department rather than running it through MMCTSU.

Conclusion – The other departments should have approved the hours Jeff worked and paid him directly. However, that is not how Jeff chose to handle the situation.

III-E-06 Bond Coverage

Surety bond coverage of Utility's officials and employees is in accordance with the minimum statutory provisions required. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-06 Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The Utility did publish annual gross salaries as in accordance with an Attorney General's opinion dated April 12, 1978. Several of the board minutes were not published within 15 days as required by Chapter 372.13 (b) of the Code of Iowa.

Recommendation - The Utility should monitor its procedures to insure proper publications within the fifteen day period as required by Chapter 372.13 (b) of the Iowa Code.

Response – After we received last year's audit report, the minutes started getting published timely beginning in September 2006. We will continue to publish the minutes in a timely manner.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

III-G-06 Deposits and Investments

We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.

III-H-06 Telecommunication Services

No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

III-I-06 Gas Cards

MMCTSU issued a Gas Card Policy at the August 15, 2006 board meeting. In the policy, it stated that employees will record the date, amount, and mileage at the time of every gas fill up. These logs were to be presented to the MMCTSU office at the end of every month. At the October 10, 2006 Utility Board meeting, Beth Carter requested that all gas receipts be turned into the office with the mileage written on the bottom of the receipt so it could be attached to the invoice. One employee chose not to follow this policy while the others did.

Recommendation – The Utility needs to stand behind their policies and action needs to be taken if they are not followed.

Response – Response accepted.

III-J-06 Holding Invoices

Over four months of various invoices over \$13,000 each month to Long Lines were being held out at the head end. The bills pile up and then it is very hard to budget and know what still needs to be paid.

Recommendation – All the unpaid invoices should be kept in one location at the billing office and not scattered about or taken to different locations. If all invoices are not available, it then becomes a problem for understanding the liabilities and making it hard to budget for future expenses.

Response – We will do this.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2006

III-K-06 Unpaid E 911 Taxes

Throughout 2006, MMCTSU billed out E 911 Taxes to all their customers. This tax was properly collected, however MMCTSU never paid this E 911 Tax to Carroll County for the entire year. The E 911 Tax due for 2006 amounts to \$9,003.

Recommendation – MMCTSU needs to pay this E 911 Tax to Carroll County as soon as possible. This tax should be kept current and paid in every quarter.

Response – We will do this. Beth was unaware she was to pay this E 911 Tax in every quarter and no one informed her of it.

Conclusion – Response accepted.

III-L-06 Deficit Fund Equity - As previously noted, MMCTSU has a deficit balance of \$108,373, as of December 31, 2006.

Recommendation – The Utility should monitor their activities in order to eliminate the deficit.

Response – We will monitor all activities at MMCTSU.

Conclusion – Response accepted.