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, 2007 AND 2006

HEITHOFF, HANSEN, MUHLBAUER & CO., P.C.
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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, 2007

Name	Position	Term Expires
Marsha Clausen	Chairperson	11-4-2012
John Detlefsen	Vice Chairperson	11-4-2014
Keith Kelderman	Secretary	11-4-2011
Aaron Stangl	Board Member	11-4-2013
Dean Hoffman	Board Member	11-4-2013
Wendel Kahl	General Manager	

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

Certified Public Accountants

Morrie M. Heithoff, CPA
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July 1, 2008

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, 2007 and 2006. 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, 2007 and 2006, and the changes in its financial position and its cash flow for the years ended December 31, 2007, and 2006 in conformity with U.S. generally accepted accounting principles.

Member American Institute of Certified Public Accountants and the Iowa Society of Certified Public Accountants

In accordance with Government Auditing Standards, we have also issued a report dated July 1, 2008, 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, 2006 (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

MMCTSU
Manning Municipal Communications & Television System Utility
719 3rd Street · Manning, IA 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, 2007. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Operating revenues of the Utility's activities decreased 6.80%, or $54,160, from 2006 to 2007.
- Operating expenses decreased 6.86%, or $66,659 from December 31, 2006 to December 31, 2007.
- The Utility's net assets of business type activities decreased $221,485 from December 31, 2006 to December 31, 2007.

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, 2007 and 2006

Business Type Activity – Enterprise Fund

	Year Ended 12-31-07	Year Ended 12-31-06
Current and other assets	$ 144,093	$ 339,281
Capital assets	467,694	569,694
Total Assets	$ 611,787	$ 908,975
Current liabilities	$ 141,645	$ 217,348
Non-current liabilities	800,000	800,000
Total Liabilities	$ 941,645	$1,017,348
Net assets:		
Invested in capital assts, net of related debt	$ -0-	$ -0-
Restricted	3,250	2,700
Unrestricted	(333,108)	(111,073)
Total net assets	$ (329,858)	$ (108,373)

Net assets of business type activities decreased from 2006 by $221,485. 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 ($333,108) 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, 2007.

Changes in Net Assets
Year ended December 31, 2007 and 2006

Business Type Activity Enterprise Fund – Communication Fund

	Year Ended	
Revenues:	12-31-07	12-31-06
Charges for services	$ 699,352	$ 782,672
Interest Income	4,304	9,107
Service & reconnect charges	17,520	3,094
Salary reimbursement	-0-	4,716
Advertising fees	2,515	2,251
Misc. fees	5,340	2,604
Signal Charges	17,050	1,400
Headend rent	800	-0-
Total revenues	$ 746,881	$ 805,844
Operating expenses:		
Production	$ 333,283	$ 402,380
Rent	170,849	170,849
Administrative and general	289,124	294,104
Total operating expenses	$ 793,256	$ 867,333
Other expenses:		
Depreciation	$ 112,033	$ 104,615
Interest expense	48,404	42,178
Loss on disposal of obsolete inventory	14,673	-0-
Total other expense	$ 175,110	$ 146,793
Increase (decrease) in net assets	$ (221,485)	$ (208,282)
Net assets beginning of year	(108,373)	99,909
Net assets end of year	$ (329,858)	$ (108,373)

CAPITAL ASSETS

The Utility's capital assets include land, buildings and improvements, equipment, and other infrastructure. Capital assets for the business type activity totaled $467,694 (net of accumulated depreciation) at December 31, 2007. This is a net decrease of $102,000 or 17.90% over last year.

CAPITAL ASSETS AT YEAR END

	12-31-07	12-31-06
Headhouse	$ 62,741	$ 62,741
Distribution	40,152	40,152
General	49,561	49,561
Interest	173,323	166,866
Telephony	843,437	839,861
Total	1,169,214	1,159,181
Less: Accumulated Depreciation	(701,520)	(589,487)
Net Capital Assets	$ 467,694	$ 569,694

LONG-TERM DEBT

At December 31, 2007, the Utility had $800,000 in total long-term debt outstanding for business type activities. During the year ended December 31, 2007, 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. MMCTSU does plan on raising their wireless internet rate. MMCTSU has also started to generate more revenue from service calls to the Templeton area and will receive ethernet income from the hospital in 2008. MMCTSU also charges carrier access fees to other telephone companies for the use of MMCTSU's telephone lines. The carrier access fees continue to decline due to the large number of cell phone users.

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

Exhibit A

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
Current Assets		
Cash	$ 47,970	$ 183,480
Restricted cash - customer deposits	3,250	2,700
Accounts receivable – customers	27,554	52,858
Allowance for doubtful accounts – customers	(3,952)	(170)
Accounts receivable - carrier access fees	52,315	146,262
Allowance for doubtful accounts – carrier fees	(14,664)	(93,806)
Accounts receivable – misc.	3,937	1,903
Inventory	23,143	41,481
Prepaid expenses	4,540	4,573
Total Current Assets	144,093	339,281
Capital Assets		
Headhouse	62,741	62,741
Distribution	40,152	40,152
General	49,561	49,561
Internet	173,323	166,866
Telephony	843,437	839,861
	1,169,214	1,159,181
Less: Accumulated depreciation	(701,520)	(589,487)
Net Capital Assets	467,694	569,694
Total Assets	$ 611,787	$ 908,975

See notes to financial statements.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

LIABILITIES AND NET ASSETS

	2007	2006
Current Liabilities		
Accounts payable - operating	$ 35,491	$ 93,207
Accounts payable - service	11,847	24,907
Sales tax payable	2,261	3,406
Deferred income	28,831	26,076
Customer deposits payable	3,250	2,700
Accrued wages and PTO payable	3,154	8,150
Other taxes payable	3,281	10,008
Accrued interest payable	48,398	42,013
Real estate taxes payable	5,132	6,190
Note payable – TSB	-0-	691
Total Current Liabilities	141,645	217,348
Long-Term Liabilities, Notes Payable to other municipal departments	800,000	800,000
Total Liabilities	941,645	1,017,348
Net Assets		
Invested in capital assets, net of related debt	-0-	-0-
Restricted for:		
Customer deposits	3,250	2,700
Unrestricted (Deficit)	(333,108)	(111,073)
Total Net Assets (Deficit)	(329,858)	(108,373)
Total Liabilities and Net Assets	$ 611,787	$ 908,975

See notes to financial statements.

Exhibit B

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Operating Revenues – Cable Subscriber Fees		
Basic T.V.	$ 162,895	$ 163,332
Single movie	4,120	4,792
Double movie	5,434	5,535
Three or more movies	6,668	6,437
TIVO	632	243
	179,749	180,339
Cost of Sales – Cable Signal Charges		
National Cable Television Coop.-Various	124,099	125,437
United Video/WGN	1,235	1,234
Lifetime	2,770	2,635
	128,104	129,306
Net Revenues from Cable Subscriber Fees	51,645	51,033
Operating Revenues - Telephone Charges		
Local access	153,844	168,413
Local tolls	59,962	90,412
Carrier access fees	156,443	202,152
USAC revenue	2,930	1,894
Calling features	14,999	12,901
	388,178	475,772
Cost of Sales - Telephone		
Local switching fees	-0-	83,120
Long distance switching fees	19,646	31,648
Switching fees - Templeton	96,000	8,000
Carrier access fees	21,168	60,914
Local billing fees	3,374	19,213
Subscriber services	10,828	14,939
USAC expense	-0-	1,437
Billing fees - MACC	2,575	-0-
	153,591	219,271
Net Revenues from Telephone Charges	234,587	256,501
Operating Revenues - Internet		
Unlimited service	9,994	16,964
Unlimited service on contract	10,547	19,912
Ten hour plan	3,037	4,336
Cable modem income	89,078	75,804

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Operating Revenues – Internet (continued)		
Other fees	$ 3,600	$ 3,224
Wireless internet	13,262	6,321
Ethernet income	1,907	-0-
	131,425	126,561
Cost of Sales – Internet		
Internet expenses	49,088	53,803
Billing fees MACC	2,500	-0-
	51,588	53,803
Net Revenues from Internet Charges	79,837	72,758
Other Operating Revenues		
Advertising Fees – Channel 22	2,515	2,251
Remotes	440	528
Miscellaneous	1,733	1,101
Hookup fees – Cable	682	465
Reconnect charges – Cable	1,250	275
Service charges	16,270	2,819
Directory fees – phone books	2,485	-0-
Salary reimbursement – Light Dept.	-0-	4,716
Signal charges – Templeton & Scranton	17,050	1,400
Pager fees	-0-	430
Headend rent	800	-0-
	43,225	14,065
Net Operating Revenues before Expenses	409,294	394,357
Operating Expenses (See Schedule 1)	572,006	569,568
Net Operating Income (Loss)	(162,712)	(175,211)
Non-operating Revenues (Expenses)		
Interest income	4,304	9,107
Interest expense	(49,404)	(42,178)
Loss on disposal of obsolete inventory	(14,673)	-0-
Total Non-operating Revenues (Expenses)	(58,773)	(33,071)
Change in Net Assets	(221,485)	(208,282)
Total Net Assets, Beginning	(108,373)	99,909
Total Net Assets, Ending (Deficit)	$ (329,858)	$(108,373)

See notes to financial statements.

Exhibit C

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

	2007	2006
Cash Flows from operating activities:		
Cash received from customers and users	$ 745,998	$ 823,700
Cash received from other revenues	41,191	19,561
Cash paid to suppliers	(342,645)	(463,229)
Cash paid for personal services	(381,642)	(254,193)
Cash paid to employees	(149,973)	(129,867)
Net cash used by operating activities	(87,071)	(4,028)
Cash flows from noncapital financing activities:		
Change in customer deposits	550	850
Net cash provided by noncapital financing activities	550	850
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(10,033)	(123,631)
Interest paid on notes	(42,019)	(30,190)
Principal paid on notes	(691)	(4,064)
Net cash used by capital and related financing activities	(52,743)	(157,885)
Cash flows from investing activities:		
Interest on investments	4,304	9,384
Net cash provided by investing activities	4,304	9,384
Net decrease in cash and cash equivalents	(134,960)	(151,679)
Cash and cash equivalents beginning of year	186,180	337,859
Cash and cash equivalents end of year	$ 51,220	$ 186,180

See notes to financial statements.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

Reconciliation of operating income to net cash provided by operating activities:	2007	2006
Operating income (loss)	$ (162,712)	$ (175,211)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	112,033	104,615
(Increase) decrease in customer accounts receivable	43,891	41,413
(Increase) decrease in other receivables	(2,034)	5,496
(Increase) decrease in inventories	3,665	1,658
(Increase) decrease in prepaid expenses	33	(684)
Increase (decrease) in accounts payable	(70,776)	8,874
Increase (decrease) in sales tax payable	(1,145)	2,342
Increase (decrease) in salaries payable	(4,996)	2,704
Increase (decrease) in deferred income	2,755	(385)
Increase (decrease) in other payables	(7,785)	5,150
Net cash used by operating activities	$ (87,071)	$ (4,028)

Reconciliation of cash and cash equivalents at year end to specific assets included on the Balance Sheets:		
Current assets:		
Cash and pooled investments	$ 47,970	$ 183,480
Restricted assets:		
Cash and pooled investments:		
Customer deposits	3,250	2,700
Cash and cash equivalents end of year	$ 51,220	$ 186,180

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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.

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.

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.

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 recorded at the time the service is billed. It also includes estimated unbilled usage for service consumed between periodic scheduled billing dates. Unbilled usage is recognized as revenue in the period in which the service is provided. Allowance for doubtful accounts is $3,952 for 2007 and $170 for 2006.

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 phone, internet, and TIVO bills are all generated by an outside company. The bills are sent out approximately on the 15th of each month and cover the long distance phone calls for the previous month and the internet, tivo, 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 $25 reconnect fee would then apply.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable - Carrier Access Billings (CABS)

These are fees due from various phone companies when MMCTSU's customers select another phone company for their long distance phone services. As of December 31, 2007 and 2006, the allowance for doubtful accounts for CABS was $14,664 and $93,806, respectively. The allowance for doubtful accounts for CABS is so large in 2006 because any CABS over one year old were put into this account. In the past, MMCTSU had not written all of them off and thought a large percentage would be collected. In 2007, the prior year allowance for doubtful accounts were never collected and thus written off. The CABS accounts receivable was reduced by the amount written off. The allowance for doubtful accounts in 2007 represents any CABS prior to November 2006 which had not yet been written off.

Various phone companies are billed by an outside Company on behalf of MMCTSU for long distance wire usage.

Effective December 1, 2006, MMCTSU no longer has a contract with Long Lines for telephone service. As of that date, MMCTSU 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, MMCTSU keeps all of the carrier access fees they collect and no longer pays 40% of them to Long Lines.

Inventory

Materials and supplies are stated at average cost on a per item basis. Cost is determined by the first-in, first-out method.

Advertising

Advertising costs are expensed as incurred. Advertising expense, was $4,338 and $960 for the years ended December 31, 2007 and 2006, respectively. For December 31, 2007, the advertising expense included new telephone directories for $2,660.

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, 2007 is summarized by the following:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Capital Assets	$1,159,181	$ 10,033	$ -0-	$1,169,214
Less: Accum. Deprec.	589,487	112,033	-0-	701,520
Capital Assets, Net	$ 569,694	$(102,000)	$ -0-	$ 467,694
Depreciation Charged				$ 112,033

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).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer Deposits

Customer deposits are collected from new customers before their service is turned on. Each customer is charged a $50 deposit. 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. Effective January 1, 2008, MMCTSU signed a contract with Templeton Telephone Co. and Iowa Network Services for dial up internet access.

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. 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.

NOTE B -DEPOSITS AND INVESTMENTS

The Utility's deposits at December 31, 2007, 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's cash and investments at December 31, 2007 are as follows:

	Cash
Restricted - Customer Deposits	$ 3,250
Unrestricted	47,970
	$ 51,220

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.

NOTE C - RELATED PARTY TRANSACTIONS (continued)

2. OTHER

A. Employees of the Manning Municipal Light Office and the Manning Municipal Communications and Television System Utility will sometimes do work for each other. If this happens, the departments will bill each other for the work performed.

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.

C. Beginning June 1, 2007, MMCTSU pays $500 rent per month to the City of Manning for office space. The total rent paid to the City of Manning in 2007 was $3,500.

NOTE D - RELATED PARTY - NOTES PAYABLE	2007	2006
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, 2006 was 6.05% and the interest rate on July 1, 2007 was 6.00%. The Communication's net revenues shall be pledged to pay off amounts due as allowable.	$300,000	$300,000

NOTE D - RELATED PARTY - NOTES PAYABLE (continued)

	2007	2006
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, 2006 was 6.25% and the interest rate on July 15, 2007 was 5.85%. The Communication's net revenues shall be pledged to pay off amounts due as allowable.	500,000	500,000
	800,000	800,000
Less: Current Portion	-0-	-0-
	$800,000	$800,000

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	2007	2006
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. This note was fully paid off in 2007.	$ -0-	$ 691

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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. The cable TV signal charges all have various expiration dates. Many of them are renewed on a yearly basis through the National Cable Television Cooperative.

Name	Utility's Monthly Cost Per Subscription as of 12-31-07
1. National Cable Television Cooperative:	
a) ABC Family Channel	$ .286
b) Home Box Office	$ 9.885
c) Cable News Network	$ .612
d) Discovery Channel	$ .392
e) Turner Network Television	$ 1.043
f) Cinemax	$ 5.287
g) Home & Garden T.V.	$ .163
h) Turner Classic Movies	$ .265
i) ESPN & ESPN 2	$ 4.417
j) TBS - Super Station	$ .450
k) Disney Channel	$ .810
l) Showtime	$ 7.540
m) The Movie Channel	$ 4.600
n) Hallmark Channel	$ .095
o) The Weather Channel	$ .194
p) Toon Disney	$ .130
q) A & E Network	$ .261
r) The History Channel	$ .261
s) TV Land	$ .140
t) TLC	$ .257
u) Travel Channel	$ .103
v) Comedy Central	$ .188
w) FX Network	$ .425
x) Outdoor Channel	$ .014
y) Golf Channel	$ .27
z) Spike TV	$ .393

NOTE F - SIGNAL CHARGE COMMITMENTS (continued)

Name	Utility's Monthly Cost Per Subscription as of 12-31-07
aa) Nickelodeon	$ .593
bb) VH-1 Music First	$ .184
cc) MTV Music Television	$ .414
dd) CMT	$ .122
ee) Fox News	$ .650
ff) Speed Channel	$ .221
gg) USA Network	$ .720
hh) Food Network	$ .110
ii) RFD TV	$ .100
jj) Soap Net	$ .150
kk) VESUS	$ .217
3. Lifetime	$ .410
4. Tower Dist. Co./WGN	$ .190
5. Fox Sports	$ 1.690
6. T.V.Guide Channel	$ .760
7. Big Ten Network	$ 1.150

NOTE G - CONTRACT COMMITMENTS

Effective January 1, 2003, MMCTSU started a Wholesale Internet Agreement with Pioneer Teletechnologies. Pioneer provides internet access, connectivity, and related services to MMCTSU on a wholesale basis. MMCTSU, in turn, markets such services as a retailer to end users over its local network. MMCTSU pays Pioneer 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. This agreement ended December 31, 2007, and MMCTSU contracted with a new internet provider, Iowa Network Services, Inc. (INS).

NOTE G - CONTRACT COMMITMENTS (continued)

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for video signal. TTC obtains a cable television signal from MMCTSU for transmission via TTC's Cable Television System 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 whereby MMCTSU would 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. In December 2006, MMCTSU ended their contract with Long Lines and began using TTC's switching services. The agreement shall continue in full force and effect for a term of five years from the date Switching Services are first provided. If MMCTSU chooses to terminate the agreement before the five years are up, early termination fees would be incurred. MMCTSU pays TTC $8,000 per month for these switching services.

In 2005, MMCTSU entered into a Video Signal Agreement with Scranton Telephone Company (STC). STC is a telecommunications company that provides cable television service to its customers in the Scranton franchise areas. STC obtains a cable television signal from MMCTSU for transmission via STC's cable television system 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 were waived and offset against the cost of the equipment until it was paid for. The value of the equipment was listed at $6,255, so MMCTSU did not start billing STC signal charges until December 2007.

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 had the option to either remove its related equipment from its present location in the Utilities' building or pay MMCTSU $200 per month for the right to continue its use of the facility. Long Lines will be exempt from the agreed upon rent of $200 per month until July 2009. Both parties agreed to this in the Final Payment for Release of Claims signed in July 2007.

Beginning December 1, 2006, Mid America Computer Corporation (MACC) provides data processing, related reports, and other related billing services to MMCTSU. The services that MACC provides includes 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 enables 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. The initial term started in December 2006.

MMCTSU also has a Consolidated Billing Agreement with INS which was signed in December 2006. 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.

NOTE G - CONTRACT COMMITMENTS (continued)

An agreement for Internet Service was entered into and made effective December 15, 2007 between Templeton Telephone Company (TTC) and Manning Municipal Communications & Television Service Utility (MMCTSU). TTC's network is connected to Iowa Network Services (INS) network at a point of presence located at Templeton, Iowa. TTC agrees to lease to MMCTSU 15 MB of bandwidth to transport internet traffic between MMCTSU's wireless network and the INS network. The agreement shall continue in full force for a term of three years from the date the leased bandwidth is first provided and shall automatically renew for additional one year terms unless terminated by either party giving written notice at least ninety days prior to the expiration. The monthly rate to be paid to TTC for the bandwidth is $1,857.

In connection with the Internet Service Agreement with TTC, MMCTSU also needed to enter into a Virtual ISP Internet Services Reseller Agreement with Iowa Network Services, Inc. (INS). This would allow MMCTSU to resell INS' wholesale internet access service to current and prospective MMCTSU subscribers. MMCTSU will pay INS a set fee per customer and then MMCTSU can resell the wholesale accounts to their retail customers at whatever fee they shall choose. This contract shall be for a term for one year beginning December 15, 2007 and shall continue on a month to month basis thereafter.

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.

Up through June 30, 2007, plan members were required to contribute 3.70% of their annual salary and the Utility was required to contribute 5.75% of annual payroll. Effective July 1, 2007, the IPERS rates changed and plan members are required to contribute 3.90% of their annual covered salary and the Utility is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ended December 31, 2007 and 2006 were $7,025 and $6,872 respectively, equal to the required contributions for each year.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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 $2,236 as of December 31, 2007 and $8,150 as of December 31, 2006.

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, 2007 exceeded the final statutory budget.

Disbursements	Budget	Actual	(Unfavorable) Variance
Business – Type activity	$860,643	$968,366	$(107,723)

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE L – DEFICIT BALANCES

MMCTSU had a fund deficit of $329,858 for the year ended December 31, 2007. There was a fund deficit balance of $108,373 as of December 31, 2006.

NOTE M - SUBSEQUENT EVENTS

Beginning July 1, 2008, MMCTSU will include their cable T.V. billings on the same bill generated by MACC for the telephone, internet, and TIVO. MMCTSU will now only have to pay for the cost of sending one bill rather than two. MMCTSU will no longer have to pay for a portion of the postage and envelopes required to send out the cable T.V. billings that had been sent with the Manning Municipal Light and City of Manning monthly utility bills.

Effective August 1, 2008, MMCTSU plans to discontinue their accounting software package with CMS. MMCTSU plans to purchase the Accounting Master Package & CATV Module from Mid America Computer Corp. (MACC). The cost of this package along with conversion costs and training is expected to cost approximately $16,200.

MMCTSU approached the Manning Light Plant to ask for a one year moratorium on the annual lease payment of $170,849 for the 2008 year. The Manning Light Plant granted this request.

SUPPLEMENTAL INFORMATION

Schedule 1

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

OPERATING EXPENSES	2007	2006
Headhouse – Power	$ -0-	$ 86
Headhouse – Maintenance	3,039	4,390
Headhouse – Other	1,596	234
Accounting	11,685	8,500
Advertising	4,338	960
Bad debts	18,587	41,781
Cable modems	622	-0-
Contract labor – Channel 10	-0-	411
Computer expense	889	2,983
Depreciation	112,033	104,615
Donations	85	135
Dues and subscriptions	4,144	3,641
Directory for T.V.	337	-0-
Employee insurance	16,321	19,558
Engineering services	-0-	200
Insurance	13,344	13,047
Legal publication	904	917
Legal and professional services	4,448	740
Maintenance - Line	2,700	5,506
Maintenance – Tower	-0-	525
Miscellaneous	2,856	2,825
Mileage reimbursement	-0-	364
Pagers	54	616
Payroll taxes	17,134	15,695
Postage	4,858	4,246
Property taxes	4,603	5,673
Rent – Office space	3,500	-0-
Rent - Distribution system	170,849	170,849
Seminars & meetings	2,383	3,178
Supplies – General	2,885	778
Software maintenance	7,881	838

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

OPERATING EXPENSE (continued)	2007	2006
Supplies – Office	$ 1,621	$ 921
Small tools	736	1,039
Telephony equipment expense	1,939	194
Telephone	9,944	4,948
Trustee fees	2,745	1,497
Uniforms	467	-0-
Utilities	11,765	12,017
Vehicle expense	4,496	3,570
Wages	121,116	123,060
Wage reimbursement – Other	-0-	15
Web page	351	1,976
Wireless internet expense	4,751	7,040
Total Operating Expenses	$ 572,006	$ 569,568

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

	Capital Assets			
	December 31, 2006	Additions	Retirements	December 31, 2007
HEADHOUSE				
Building	8,825	-0-	-0-	8,825
Electronics & equipment	53,916	-0-	-0-	53,916
	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	12,263	-0-	-0-	12,263
	40,152	-0-	-0-	40,152
GENERAL				
Office Furniture	10,220	-0-	-0-	10,220
Vehicles	5,087	-0-	-0-	5,087
Equipment	19,816	-0-	-0-	19,816
Internet	14,438	-0-	-0-	14,438
	49,561	-0-	-0-	49,561
INTERNET				
Equipment	153,515	6,457	-0-	159,972
Building	8,684	-0-	-0-	8,684
Vehicles	4,667	-0-	-0-	4,667
	166,866	6,457	-0-	173,323
TELEPHONY				
Building	8,684	-0-	-0-	8,684
Vehicles	20,535	-0-	-0-	20,535
Equipment	800,343	3,576	-0-	803,919
Electronics	10,299	-0-	-0-	10,299
	839,861	3,576	-0-	843,437
Totals	$1,159,181	$ 10,033	$ -0-	$1,169,214

Schedule 2

Useful Lives	Accumulated Depreciation December 31 2006	Current Provision	Retirement	December 31, 2007
40 years	$ 444	$ 221	$ -0-	$ 665
10-15 years	19,672	5,126	-0-	24,798
	20,116	5,347	-0-	25,463
15 years	8,145	1,682	-0-	9,827
10 years	1,989	252	-0-	2,241
5 years	10,494	505	-0-	10,999
	20,628	2,439	-0-	23,067
5-10 years	7,126	698	-0-	7,824
5 years	1,237	933	-0-	2,170
5-15 years	10,543	1,147	-0-	11,690
5-10 years	14,382	56	-0-	14,438
	33,288	2,834	-0-	36,122
5-10 years	52,294	15,739	-0-	68,033
39 years	437	218	-0-	655
5 years	817	933	-0-	1,750
	53,548	16,890	-0-	70,438
39 years	437	218	-0-	655
5 years	13,115	4,107	-0-	17,222
5-10 years	442,390	78,713	-0-	521,102
7 years	5,965	1,485	-0-	7,451
	461,907	84,523	-0-	546,430
	$589,487	$112,033	$ -0-	$701,520

Schedule 3

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
STATISTICAL DATA
DECEMBER 31, 2007
(UNAUDITED)

		Monthly Rates		
Movie Subscribers:	**Number**	**Movie Channel**	**Basic T.V.**	**Total**
Basic	515	$0.00	$24.00	$24.00
Basic + 1 Movie	35	$9.50	$24.00	$33.50
Basic + 2 Movies	24	$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
Basic + 6 Movies	6	$32.50	$24.00	$56.50
Institutional #1	4	$46.50	$24.00	$70.50
Institutional #2	1	$6.00	$24.00	$30.00
Basic + Remote	2	$2.00	$24.00	$26.00
Basic + 1 Movie + Remote	1	$11.50	$24.00	$35.50
Total Movies Subscribers	602			

Telephone Service Lines:	
Residential Lines	481
Business Lines	213
Total Telephone	694

		Monthly Rates
Internet Customers:		
Unlimited Dial-up Internet	119	$22.50
Dial-up Contract	38	$19.95
Dial-up Internet – 10 HR	22	$9.95
Total Dial-Up	179	
Cable Modem – Silver	223	$29.95
Cable Modem - Gold	4	$49.95
Cable Modem - Platinum	12	$79.95
Total Cable Modem	239	
Wireless Internet	38	$29.95

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.

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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 1, 2008

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, 2007, and 2006, and have issued our report thereon dated July 1, 2008. 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.

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-07 and II-B-07 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 tests 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

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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. 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. 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, 2007

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-07 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.

II-A-07 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-07 Inventory Control

The controls over inventory still appear to be lacking, especially when it comes to used inventory acquired from other towns. It was undetermined how some of the inventory was acquired.

Recommendation – We recommend that a perpetual inventory system be used for all acquisitions of equipment, and the trading or disposal of equipment carefully documented. A suggestion would be to give each inventory item a number and then document ins and outs throughout the year.

We recommend that management take a closer look at inventory and determine items in which market value dropped below cost. Management should try to keep a minimal inventory on hand since it appears the technology equipment may become worthless before it is ever used.

Response – We will try to come up with an inventory system that puts more controls in place.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2007

Part III: Other Findings Related to Required Statutory Reporting:

III-A-07 Certified Budget

The Utility budgeted on the calendar year and it was properly published. The disbursements during the year ended December 31, 2007, 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-07 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.

The questionable disbursement noted below was also disclosed in the December 31, 2006 audit report.

Paid To	Transaction Description	Amount
Emerging Technologies	2 Guest Luncheons - Meeting attended by Jeff Carson	$100

Recommendation – The board should determine and document the public purpose served by these type of disbursements before authorizing any further payments.

Response – We collected a reimbursement from Jeff Carson for the item listed above during 2007. We will give any further disbursements of this type extra attention before the payment is made.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2007

III-C-07 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-07 Business Transactions

There were no business transactions noted between the Utility and Utility officials and/or employees for the year ending December 31, 2007.

III-E-07 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-07 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. However, several of the board minutes were not published within 15 days as required by Chapter 372.13 (b) of the Code of Iowa. There were also two special meetings in which proof of publication could not be found.

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 and that all meetings get published.

Response – We were e-mailing the board minutes to all the board members for approval. However, we were not receiving approvals in a timely fashion. So now we are just getting the secretary's approval before we submit them to the paper.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2007

III-G-07 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-07 Telecommunication Services

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

III-I-07 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-07 Deficit Fund Equity

As previously noted, MMCTSU has a deficit balance of $329,858, as of December 31, 2007.

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

Response – We will monitor all activities at MMCTSU.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2007

III-K-07 Penalties and Internet Expense

There were several penalties and interest expense incurred on late payments throughout the year. The following unnecessary expenses were incurred:

Late fees on sales tax	$ 583
Late fee on Form 720	145
Finance Charges on Credit Cards	270
Total	$ 998

Recommendation – The Utility should make sure all payments and forms are filed timely to avoid these unnecessary expenses.

Response – We will try to make sure all reports and payments are timely filed to avoid these expenses in the future.

Conclusion – Response accepted.

III-L-07 Customer Deposits

It was determined that some of the customers deposits were being held longer than the allotted amount of time, even though the customers were in good standing.

Recommendation – MMTCSU should go through all of the customer deposits being held and issue checks to the customers who are eligible to get their deposits back.

Response – We will do this.

Conclusion – Response accepted.

MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2007

III-M-07 Employee Handbook

The employee handbook has not been updated for several years. It still includes a policy for sick leave which is not used anymore since it was replaced with the PTO Policy. Also the floating holiday issue needs to be addressed to determine how long this can be carried over.

Recommendation – The employee handbook should be reviewed and changes and additions made accordingly.

Response – We will do this.

Conclusion – Response accepted.