


City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 3, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: 2008 ANNUAL REPORT AND PLANT SURVEY FROM COMCAST CABLE COMMUNICATIONS, INC.

ISSUE: Receipt of the 2008 Annual Report and Plant Survey from Comcast Cable Communications, Inc. (Comcast).

RECOMMENDATION: That Council receive the Comcast 2008 Annual Report and Plant Survey (Attachment 1). The Commission on Information Technology reviewed the results of the reports at its November 17 meeting and approved the staff analysis and also recommends that Council receive the report.

DISCUSSION: Section 9-3-513 (a) of the City Code requires the cable television franchisee to submit an annual written report to City Council. The report details the company's previous year's activities in operating the Alexandria City cable television system. The 2008 report, which covers the fiscal year of July 1, 2007 through June 30, 2008 (the 14th year of the 15-year cable franchise), summarizes the company's activities with respect to programming and customer service, physical plant and system operations, and describes the company's financial condition for the calendar year ending December 31, 2007.

The full report runs more than 400 pages. Due to its size, the entire report is not attached, but it may be reviewed in the City Clerk's Office. Several sections of the report are attached for your information: the cover letter; summary of local origination and community programming; and the auditor's reports. Following is a summary of the major accomplishments described in the Annual Report and the actions taken by the franchisee to comply with City and federal requirements.

Programming:

- **Local Origination and Community Programming**

During FY 2008, Comcast's combined community and local origination programming on Channel 69 met the 30 hours or more overall requirement and, in most cases, exceeded the franchise requirement that at least 10 hours per week be original, unrepeated programming of interest to Alexandria residents. Comcast continues to encourage resident participation in Community Programming certification classes. During FY 2008, Comcast certified 17 people in community programming for a total of 88.

- **Programming and Channel Changes**

Many changes were repositioned as Comcast streamlined their channel line-up and launched new digital channels, added video-on-demand, subscription on demand and HDTV channels. A list of the changes made throughout the fiscal year is attached (Attachment 2).

Physical Plant and System Operations:

- **System Construction**

During FY 2008, no additional plant was added. Comcast's construction division completed the electronics upgrade of the Police Department sites for the C.A.R.E.S Project. Comcast also completed the upgrade of the City's Institutional Network (I-Net), and the expansion of service to the Northern Virginia Community College campus.

In preparation for the federally-mandated digital broadcast format transition in February 2009, Comcast has been digitizing off-air channels (Channels 4, 5, 7, 9, 20, etc.), and for the past year has been broadcasting in both digital and analog format. After the transition, customers who have analog, as well as digital service, will not be impacted by the transition. Comcast will continue to provide both digital and analog broadcast signals after the changeover so that subscribers who do not have a converter box, but have basic cable service, will still be able to receive their television service. The nodes are carrying both analog and digital signals at this time. Subscribers with digital converter boxes will be able to receive full-quality digital programming. The Federal Communications Commission requires cable companies to continue providing local stations in analog service as long as they provide any analog service, for up to three years after February 17, 2009. In 2011, The FCC will decide if this service should extend beyond February 17, 2012.

Additionally, Comcast deployed DOCSIS 2.0 (Data Over Cable Service Interface Specification), an international telecommunications standard that enhances both upstream and downstream high-speed data transmission over the cable system.

- Service Outages

Staff's review of the Annual Report showed that during FY 2008, the number of outages increased from 238 in 2007 to 1074 in 2008. An outage is defined as a service interruption affecting three or more subscribers connected to the same node. Comcast reports that of the 1074 outages: 249 were due to Comcast equipment failure, such as damaged motherboards, feeder connectors, and modules in the nodes; 14 were the result of routine maintenance; 471 were the result of Dominion Virginia Power system outages; and 26 were caused by electrical power outages due to electrical shortages and power surges.

Of the 1074 outages, 140 lasted longer than four hours. The City Code requires Comcast to credit subscribers with a prorated share of the monthly charge if the subscriber is without service or if service is substantially impaired for any reason for more than four hours during a 24-hour period. Comcast staff issued the appropriate credits to the affected customers upon request. Staff will continue to monitor system outages and ensure that credits are given where appropriate.

- Plant Survey

Section 9-3-153 (c) of the City Code requires the franchisee to submit a complete survey of its plant, including electronic measures to determine any signal leakage above the FCC requirements, and to assure the City that Comcast is complying with FCC technical standards. The FCC Proof-of-Performance tests were conducted by Comcast staff January 1 through February 2, 2008.

A system flyover test was conducted on May 5, 2008 by Mar-Tech Engineering, Inc. a licensed engineering company which specializes in aerial cable leakage inspections. Comcast Cable of Alexandria had a system score of 100%, with 100% of the system being tested. The fly-over test is conducted at 1500 feet in a grid pattern with all cable plant covered within a ½ mile of the pattern at 120 mph. GPS and signal level readings are simultaneously processed by Mar-Tech's proprietary software on an onboard computer, and all tests indicated that the results complied with FCC technical standards.

Customer Service:

- Subscriber Trouble Calls

During the reporting period, Comcast responded to 20,340 subscriber trouble calls, an increase of 1,519 calls, which is 8% more than last year. These trouble calls related to problems with customer equipment (televisions, VCRs, etc.), converter boxes, distribution/signals, and coaxial cable. The majority of these calls (6,757 or 34%) were in the "Tap to the TV Set" category (the "tap" is the connecting equipment from the pole to

the house). The majority of the tap to TV set problems result from bad connectors or splitters between the tap and the customer's TV due to age, corrosion, exposure to the elements, or fittings that had been improperly tightened by customers. Converter problems accounted for 5,195 or 26% of the trouble calls, and the remaining 32% of calls were a result of customer equipment, miscellaneous and/or headend problems, or no trouble found/subscriber not home.

- Customer Service Standards

The City Code requires Comcast to report quarterly on telephone accessibility. The Code requires Comcast's service representatives to answer their telephones within 30 seconds, 95 percent of the time. However, state legislation that went into effect July 1, 2007 required that the local standard not exceed the federal standard which requires that the telephones be answered within 30 seconds, 90 percent of the time.

During the reporting period, Comcast's quarterly data indicate that the percentage of telephone calls answered within 30 seconds was as follows: July (84%), August (71%), September (73%), October (78%), November (80%), December (77%), January (78%), February (75%), March (84%), April (84%), May (77%), and June (63%). Since Comcast's average response time statistics for each quarter did not meet the 90 percent standard, the company was fined four times for a total of \$800.

It should be noted that, for the most part, these numbers are significantly higher than the percentages reported last year for meeting this requirement. The storms of late spring contributed to an increase in call volume as is evidenced by the downturn of statistics in June. For the majority of the fiscal year, Comcast has shown better response time over last year despite not meeting the requirements. Low response numbers are typically attributed to an increase in call volumes during inclement weather. A significant factor in the show of improvement may be attributable to the fact that Comcast recently opened a new 500-seat regional call center staffed by agents who are cross-trained in multiple aspects and technical support of products and services such as high-speed internet, digital voice, and various advanced video products.

Financial Information:

Laura B. Triggs, Director of Finance, reviewed the financial information provided by Comcast and noted the following:

- Unaudited Gross Receipts:

Due to the statewide implementation of the Virginia Communications Tax, effective January 1, 2007, franchise fee payments are no longer related to revenues and are not collected by local jurisdictions. However, due to the methodology by which Comcast bills subscribers for its services, as well as the methodology that the State of Virginia imposed to implement the new tax,

certain subscribers were billed for the franchise fees related to a portion of January 2007. As a result, Comcast directly remitted \$64,018 in franchise fees to the City during calendar year 2007.

- Unaudited Financial Statements:

The unaudited financial statements for Comcast of Virginia, Inc. (Alexandria system) for the year ended December 31, 2007, show that the Alexandria operations of Comcast earned \$11.1 million for the year, thus eliminating the operation's 2006 Accumulated Deficit of \$8.5 million and recognizing Returned Earnings of \$2.5 million. Comcast's 2007 earnings were on par with their 2006 earnings of \$11.3 million.

During the year, Comcast increased their investment in the property and equipment in Alexandria by \$9.95 million bringing the total cost of the Alexandria property and equipment to \$127.5 million. The Comcast Alexandria operation has a long-term debt to affiliated companies of \$159.4 million. This is a decrease of \$9.1 million from the prior year's balance of \$168.5 million. The total Stockholders' Equity for Comcast Cablevision of Virginia, Inc. (Alexandria) as of December 31, 2007 consisted of the retained earnings of \$2.5 million.

- Comcast Corporation Financial Report:

The Comcast Corporation Financial Report is the financial statement of Comcast Corporation and its subsidiaries as a whole. The financial information of Comcast of Virginia, Inc. (Alexandria) is such a small portion of the total operation that it is not mentioned separately in this report.

The Comcast Corporation is the largest cable operator in the country with 24.1 million video subscribers, 15.2 million digital cable subscribers, 13.2 million high-speed Internet subscribers, and 4.6 million telephone subscribers. Comcast Corporation and its subsidiaries had a net income for the year of \$2,587 million on revenues of \$30,895 million. Its total stockholders' equity increased from \$41,167 million to \$41,340 million. Comcast's external auditors issued Comcast Corporation and its subsidiaries a clean opinion indicating the financial statements present fairly, in all material respects, the financial position of Comcast Corporation and its subsidiaries.

FISCAL IMPACT: The cable television franchise fees previously collected by the City were replaced with a state administered Communications Sales and Use Tax of 5% which is collected by the State and remitted to the City. During the reporting period, the City received approximately \$1,000,000 per month from the State. The payment is an aggregate amount from all providers of telecommunications services (land phones, cellular service, TV dish, etc.) in the City, and there is no way to determine how much was remitted by Comcast.

The cable television franchise between the City of Alexandria and Comcast Cable Communications Inc. expires on June 18, 2009.

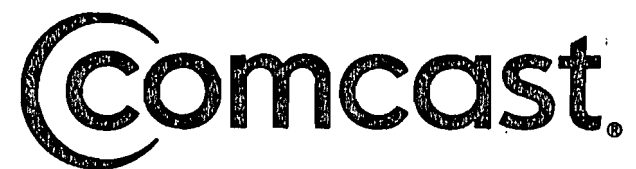
ATTACHMENTS:

1. Executive Summary
2. Summary of Local Origination and Community Programming
3. Auditor's Report

STAFF:

Rose Williams Boyd, Director of Citizen Assistance

Jacqueline Levy, Broadcast Media and Cable Programming Manager



2008 ANNUAL REPORT

EXECUTIVE SUMMARY
AUGUST 29, 2008



Comcast Cable
508 D S Van Dorn Street
Alexandria, VA 22304
Office: 703.567.4600
Fax: 703.567.4444
www.comcast.com

August 29, 2008

Ms. Rose Williams Boyd
Director
Office of Citizen Assistance
City of Alexandria
301 King Street Room 1900
Alexandria, Virginia 22314

RECEIVED
AUG-29-2008
CITIZEN ASSISTANCE
OFFICE

Dear Ms. Boyd,

Comcast is pleased to submit our 2008 Annual Report to the City of Alexandria, in accordance with Chapter 3 of Title 9 of the Alexandria City Code. Included are copies or summaries of the year's activities with Local Origination and Community Programming, a summary of customer complaints, financial reports, statement of Major Equipment and Capital Expenditures, construction plans, a list of Comcast Officers and Board of Directors, the Alexandria Employee Report, the Customer Opinion Survey, the Plant Report and Customer Service Telephone Statistics for the period of August 1, 2007 through July 31, 2008.

This past year had been extremely busy for the system, as we grew our Digital Cable and Internet business and worked to improve our quality standards both in the field and on the telephone. As Director of Government and Community Affairs, I am happy to continue the partnership we have established with the City of Alexandria. Comcast remains committed to fostering this relationship and expanding our efforts in the community.

Highlights from the past year include:

- Deployment of the DOCSIS 2.0 which has helped address capacity issues and increase customer internet download speeds
- The launch of many new digital channels, video on demand, subscription video on demand, and HDTV; offering more value to our customers
- Sponsored the Alexandria Scholarship Fund Telethon
- Digitizing off air channels in preparation for the federally mandated Digital Transition to make sure that Comcast customers are not impacted during this event.
- Opening of the new call 500-seat Regional Call Center that houses customer service agents who provide technical support for Comcast High-Speed Internet (CHSI), Comcast Digital Voice (CDV) and various advanced video products

Comcast and its employees pride themselves with being involved with the Community, and being in the forefront within the Company to deploy new services and technologies to our customers. We look forward to continuing this tradition in 2009.

We look forward to a productive year.

Yours sincerely,

Marie Schuler
Director of Government and Community Affairs

YEAR'S ACTIVITY SUMMARY
Local Origination and Community Programming
Service to the Community

- Supported the Department of Human Services with their Foster Care program.
- Supported the Alexandria Technology Awards
- Supported the Alexandria Volunteer Bureau An Evening in the Heart of Alexandria Gala
- Provided Cable in the Classroom magazines in conjunction with the CIC program to Alexandria Public Schools
- Corporate Sponsor of the Alexandria Chamber of Commerce
- Awarded a Comcast scholarship to a T.C. Williams graduate pursuing film studies at the Scholarship Fund of Alexandria Awards Ceremony
- Filmed and participated in the USA/Alexandria Birthday Celebration at Founders Park
- Filmed and participated in the American Indian Festival, the African American Festival, the Italian Festival, the Irish Festival the Chirlagua Festival, and the Cambodian Festival.
- Promoted summer concerts throughout the area, Lunch Bunch Concerts, Ben Brenman Park Concert, Ft Ward Park Concerts, Waterfront Park Concerts, Montgomery Park Concerts, Henderson Park Concerts, and the King Street Gardens Concert.
- Sponsored the Alexandria Volunteer Bureau Philanthropy Summit Awards
- Donated to the T.C. Williams Drug and Alcohol Free Graduation Party
- Participated in the United Way campaign
- Supported the Alexandria Chamber of Commerce "Total Resource" Campaign
- Participated with the Region in Comcast Cares Day at Fred Lynn Middle School in Prince William County. We landscaped the front entrance, back entrance, and courtyards.
- Conducted a tour of Wheeler Avenue facility for the Federal Communications Commission and the United States Telecommunications Training Institute; the class was made up of communications experts in government from around the world.
- Corporate sponsor of the Alexandria Waterfront Festival
- Live coverage of the Alexandria Special Election Returns
- Supported the Breast Cancer Walk, taped and broadcast the event
- Partnered with the City of Alexandria for the Comcast Outdoor Film Festival
- Supported the Alexandria Education Partnership

- Taped and broadcast Agenda Alexandria monthly
- Taped and broadcast the Alexandria Chamber Business Leader of the Year Award
- Taped and broadcast the Grace Episcopal Concert
- Taped and broadcast & Supported the Alexandria Chamber of Commerce Chairman's Gala
- Taped and broadcast the Martin Luther King Birthday Ceremony for City employees
- Taped and broadcast the St Patrick's Day Parade
- Taped and broadcast the George Washington Day Parade
- Taped and broadcast the Martin Luther King Birthday Ceremony
- Taped and broadcast the Alexandria Birthday Celebration
- Supported, taped and broadcast the State of the City Address
- Taped and broadcast the Salute to Women Awards
- Taped and broadcast the Valor Awards
- Taped and broadcast the Episcopal Graduation
- Taped and broadcast the Bishop Ireton Graduation
- Taped and broadcast the T.C. Williams Graduation
- Taped and broadcast the Scholarship Awards Ceremony
- Taped and broadcast the St. Stephens /St. Agnes Graduation
- Taped and Broadcast the Scottish Christmas Walk
- Taped and Broadcast the Scottish Night at Ft. Ward Park
- Broadcast the Latter Day Saints Annual Conference
- Taped and Broadcast the Days of Remembrance
- Taped and Broadcast the Scottish Heritage Festival
- Taped and Broadcast the Technology Achievement Awards
- Taped and Broadcast the Christmas Tree Lighting Ceremony
- Taped and Broadcast the Excellence in Education Awards
- Taped and Broadcast the T.C. Williams vs. W. Springfield Boys Basketball Game
- Taped and Broadcast the T.C. Williams vs. W. Potomac Boys Basketball Game
- Taped and Broadcast the Grace Episcopal Spring Program
- Taped and Broadcast the CTE Awards Program
- Taped and Broadcast Monthly Program for Mayor of City of Alexandria
- Taped and Broadcast Monthly Program for Chamber of Commerce
- Taped and Broadcast Monthly Program for Fire Department
- Taped and Broadcast Monthly Program for Alexandria Library
- Taped and Broadcast Monthly Program for Alexandria Education Partnership
- Taped and Broadcast Monthly Program for Alexandria Civic Associations
- Taped and Broadcast Monthly Program for Alexandria Senior Citizens
- Taped and Broadcast Monthly Program for Hoop Academy International
- Supported the NAACP Awards Banquet
- Supported the Northern Virginia Urban League Gala
- Participated in the City of Alexandria Softball Program
- Sponsored the Alexandria Scholarship Fund Telethon through in kind work planning and broadcasting live and on replay the telethon event. This year's telethon raised over \$100,000.

- Sponsored the Training of Hoop Academy International Students in Field Production and Studio Class

Produced Comcast Local Edition interviews, appearing on Headline News for the following organizations:

City of Alexandria Recreation, Parks & Cultural Activities
Alexandria Chapter of the American Red Cross
Inova Blood
Alexandria Convention & Visitors Center
Office on Women - Domestic Violence
Office on Women – Walk to Fight Breast Cancer
Office on Women – Sexual Assault Awareness Month
Office on Women – Salute to Women Awards
The Scholarship Fund of Alexandria Telethon
SOC Enterprises - promotes independence for people with disabilities
Northern Virginia Aids Ministry
Alexandria Chamber of Commerce
Irish Festival
St. Patrick's Day Parade
Alexandria Commission for the Arts
Alexandria Outdoor Film Festival
The Campagna Center
Alexandria Waterfront Festival
The Twig – Tour of Homes
Alexandria Symphony Orchestra
First Night Alexandria
Samaritan Ministry of Greater Washington
Pentagon Memorial Fund
Agenda Alexandria
Carpenter's Shelter
National MS Society
Vola Lawson Animal Shelter
Alzheimer's Association
Mother's Against Drunk Drivers
Child & Family Network Center
Northern Virginia Family Services
Armenian Festival
Girl Scout Council
The Art League
SCAN
CrisisLink
Azalea Charities
Avon Walk to Fight Breast Cancer

Alexandria Technology Achievement Awards
Lupus Foundation of Greater Washington
Alexandria United Way
Alexandria Symphony Ball
The Carlyle House
Northern Virginia Urban League
Alexandria Animal Welfare League
The Torpedo Factory
Opera Theater of Northern Virginia
Senior Services
Alexandria Volunteer Bureau
Ummah Endowment fund
Live on Wilson Plaza
Pan Am Games for the Deaf Youth
Employer Support of the Guard and Reserve
America's 400th Anniversary
Alexandria Convention and Visitors Center
National Museum of Marine Corp
Cable in the Classroom Leaders in Learning Awards
Arlington National Cemetery
Community Lodgings
First and Second Thursday in Del Ray
Capital Hospice
Boys & Girls Club of Greater Washington
Metro Stage
Coats for Kids
National Network to End Domestic Violence
The Leukemia & Lymphoma Society
Gila's Club of Greater Washington
United States Hispanic Chamber of Commerce
Bladder Cancer Advocacy Network
National Puerto Rican Coalition
Cure Autism Now
Northern Virginia Regional Park Authority
Cold War Museum
Parent Leadership Institute of Alexandria
AARP
Friends of the Occoquan
Northern Virginia Regional Center UMFS
League of United Latin American
06 Metro Area Toys for Tots
Virginia Department of Transportation
Senate of Virginia
Gala Hispanic Theatre
Hopkins House
Community Residences

Alexandria Black History Museum
Ballyshanners
National Ms Society
American Diabetes Association
Smithsonian
Virginia Gang Investigators Association
National Cherry Blossom Festival
Colon Cancer Foundation
Metropolitan Washington Council of Governments
Y-Me, Breast Cancer Support Organization
Yockadot Poetics Theatre Project
Historic Alexandria Foundation
Arlington-Alexandria Coalition for the Homeless
National Center for Black Philanthropy
Special Olympics VA
Cultural Foundation for Children
Virginia Department of the Deaf and Hard of Hearing
Hispanic Federation Gala 2007 RC

Report of Independent Registered Public Accounting Firm

**Board of Directors and Stockholders
Comcast Corporation
Philadelphia, Pennsylvania**

We have audited the accompanying consolidated balance sheets of Comcast Corporation and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows, stockholders' equity and comprehensive income for each of the three years in the period ended December 31, 2007. We also have audited the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Comcast Corporation and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 12 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109," effective January 1, 2007. As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share Based Payments," effective January 1, 2006.

/s/ Deloitte & Touche LLP
Philadelphia, Pennsylvania
February 20, 2008

Consolidated Balance Sheet

December 31 (in millions, except share data)	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 963	\$ 1,239
Investments	98	1,735
Accounts receivable, less allowance for doubtful accounts of \$181 and \$157	1,645	1,450
Deferred income taxes	214	—
Other current assets	747	778
Total current assets	3,667	5,202
Investments	7,963	8,847
Property and equipment, net of accumulated depreciation of \$19,808 and \$15,506	23,624	21,248
Franchise rights	58,077	55,927
Goodwill	14,705	13,768
Other intangible assets, net of accumulated amortization of \$6,977 and \$5,543	4,739	4,881
Other noncurrent assets, net	642	532
	\$ 113,417	\$ 110,405
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses related to trade creditors	\$ 3,336	\$ 2,862
Accrued salaries and wages	494	453
Other current liabilities	2,627	2,579
Deferred income taxes	—	314
Current portion of long-term debt	1,495	983
Total current liabilities	7,952	7,191
Long-term debt, less current portion	29,828	27,992
Deferred income taxes	26,880	27,338
Other noncurrent liabilities	7,167	6,476
Minority interest	250	241
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock — authorized 20,000,000 shares; issued, zero	—	—
Class A common stock, \$0.01 par value — authorized, 7,500,000,000 shares; issued, 2,419,025,659 and 2,425,818,710; outstanding, 2,053,564,909 and 2,060,357,960	24	24
Class A Special common stock, \$0.01 par value — authorized, 7,500,000,000 shares; issued 1,018,960,463 and 1,120,659,771; outstanding, 948,025,699 and 1,049,725,007	10	11
Class B common stock, \$0.01 par value — authorized, 75,000,000 shares; issued and outstanding, 9,444,375	—	—
Additional capital	41,688	42,401
Retained earnings	7,191	6,214
Treasury stock, 365,460,750 Class A common shares and 70,934,764 Class A Special common shares	(7,517)	(7,517)
Accumulated other comprehensive income (loss)	(56)	34
Total stockholders' equity	41,340	41,167
	\$ 113,417	\$ 110,405

See notes to consolidated financial statements.

15

Consolidated Statement of Operations

Year ended December 31 (in millions, except per share data)	2007	2006	2005
Revenues	\$ 30,895	\$ 24,966	\$ 21,075
Costs and Expenses			
Operating (excluding depreciation and amortization)	11,175	9,010	7,513
Selling, general and administrative	7,934	6,514	5,490
Depreciation	5,107	3,828	3,413
Amortization	1,101	995	1,138
	25,317	20,347	17,554
Operating income	5,578	4,619	3,521
Other Income (Expense)			
Interest expense	(2,289)	(2,064)	(1,795)
Investment income (loss), net	601	990	89
Equity in net (losses) income of affiliates, net	(63)	(124)	(42)
Other income (expense)	522	173	(53)
	(1,229)	(1,025)	(1,801)
Income from continuing operations before income taxes and minority interest	4,349	3,594	1,720
Income tax expense	(1,800)	(1,347)	(873)
Income from continuing operations before minority interest	2,549	2,247	847
Minority interest	38	(12)	(19)
Income from continuing operations	2,587	2,235	828
Income from discontinued operations, net of tax	—	103	100
Gain on discontinued operations, net of tax	—	195	—
Net Income	\$ 2,587	\$ 2,533	\$ 928
Basic earnings per common share			
Income from continuing operations	\$ 0.84	\$ 0.71	\$ 0.25
Income from discontinued operations	—	0.03	0.03
Gain on discontinued operations	—	0.06	—
Net income	\$ 0.84	\$ 0.80	\$ 0.28
Diluted earnings per common share			
Income from continuing operations	\$ 0.83	\$ 0.70	\$ 0.25
Income from discontinued operations	—	0.03	0.03
Gain on discontinued operations	—	0.06	—
Net income	\$ 0.83	\$ 0.79	\$ 0.28

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31 (in millions)	2007	2006	2005
Operating Activities			
Net income	\$ 2,587	\$ 2,533	\$ 928
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	5,107	3,828	3,413
Amortization	1,101	995	1,138
Depreciation and amortization of discontinued operations	—	139	253
Share-based compensation expenses	212	190	56
Noncash interest expense, net	114	99	8
Equity in net losses (income) of affiliates, net	63	124	42
(Gains) losses on investments and noncash other (income) expense, net	(938)	(979)	(54)
Gain on discontinued operations	—	(736)	—
Noncash contribution expense	11	33	10
Minority interest	(38)	12	19
Deferred income taxes	247	674	183
Proceeds from sales of trading securities	603	—	—
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Change in accounts receivable, net	(100)	(357)	(97)
Change in accounts payable and accrued expenses related to trade creditors	175	560	(152)
Change in other operating assets and liabilities	(352)	(497)	(912)
Net cash provided by (used in) operating activities	8,792	6,618	4,835
Financing Activities			
Proceeds from borrowings	3,713	7,497	3,978
Retirements and repayments of debt	(1,401)	(2,039)	(2,706)
Repurchases of common stock	(3,102)	(2,347)	(2,313)
Issuances of common stock	412	410	93
Other	62	25	15
Net cash provided by (used in) financing activities	(316)	3,546	(933)
Investing Activities			
Capital expenditures	(6,158)	(4,395)	(3,621)
Cash paid for intangible assets	(406)	(306)	(281)
Acquisitions, net of cash acquired	(1,319)	(5,110)	(199)
Proceeds from sales and restructuring of investments	1,158	2,720	861
Purchases of investments	(2,089)	(2,812)	(306)
Other	62	31	(202)
Net cash provided by (used in) investing activities	(8,752)	(9,872)	(3,748)
Increase (decrease) in cash and cash equivalents	(276)	292	154
Cash and cash equivalents, beginning of year	1,239	947	793
Cash and cash equivalents, end of year	\$ 963	\$ 1,239	\$ 947

See notes to consolidated financial statements.

Consolidated Statement of Stockholders' Equity

(in millions)	Common Stock Class						Additional Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total
	Shares			Amount							
	A	A Special	B	A	A Special	B					
Balance, January 1, 2005	2,040	1,269	9	\$ 24	\$ 13	\$ —	\$ 44,130	\$ 4,891	\$ (7,517)	\$ (119)	\$ 41,422
Stock compensation plans	3	3					120				120
Repurchase and retirement of common stock		(119)			(1)		(1,294)	(994)			(2,289)
Employee stock purchase plan	2						33				33
Other comprehensive income										5	5
Net income								928			928
Balance, December 31, 2005	2,045	1,153	9	24	12	—	42,989	4,825	(7,517)	(114)	40,219
Stock compensation plans	13	10					604	(33)			571
Repurchase and retirement of common stock		(113)			(1)		(1,235)	(1,111)			(2,347)
Employee stock purchase plan	2						43				43
Other comprehensive income										148	148
Net income								2,533			2,533
Balance, December 31, 2006	2,060	1,050	9	24	11	—	42,401	6,214	(7,517)	34	41,167
Cumulative effect related to the adoption of FIN 48 on January 1, 2007									60		60
Stock compensation plans	17	6					688	(28)			660
Repurchase and retirement of common stock	(25)	(108)			(1)		(1,459)	(1,642)			(3,102)
Employee stock purchase plan	2						58				58
Other comprehensive loss										(90)	(90)
Net income								2,587			2,587
Balance, December 31, 2007	2,054	948	9	\$ 24	\$ 10	\$ —	\$ 41,688	\$ 7,191	\$ (7,517)	\$ (56)	\$ 41,340

Consolidated Statement of Comprehensive Income

(in millions)	2007	2006	2005
Net income	\$ 2,587	\$ 2,533	\$ 928
Holding gains (losses) during the period, net of deferred taxes of \$23, \$69 and \$11	(42)	128	20
Reclassification adjustments for losses (gains) included in net income, net of deferred taxes of \$46, \$6 and \$2	(85)	11	(4)
Employee benefit obligations, net of deferred taxes of \$16, \$4 and \$7	29	7	(12)
Cumulative translation adjustments	8	2	1
Comprehensive income	\$ 2,497	\$ 2,681	\$ 933

See notes to consolidated financial statements.