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Muscatine Power and Water
Communications Utility
Operating Statements and Balance Sheets
August 2007

**Muscatine Power and Water
Communications Utility**

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Muscatine Power and Water - Communications Utility
Statements of Revenues, Expenses, and Changes in Net Deficit
August 2007

Current Month

	<u>Budget</u> <u>Estimate</u>	<u>% Increase</u> <u>(Decrease)</u> <u>From Budget</u>	<u>This</u> <u>Year</u>	<u>% Increase</u> <u>(Decrease)</u> <u>Fr. Last Yr.</u>	<u>Last</u> <u>Year</u>
<u>Operating Revenue</u>					
CATV	\$505,351	(0.8)	\$501,229	5.5	\$475,167
Data/Internet	220,018	4.3	229,472	2.8	223,157
MAN	28,071	5.7	29,671	1.7	29,171
Miscellaneous	<u>6,694</u>	(10.5)	<u>5,990</u>	54.1	<u>3,887</u>
Total Operating Revenues	<u>760,134</u>	0.8	<u>766,362</u>	4.8	<u>731,382</u>
<u>Operating Expense</u>					
Operation	501,155	(2.0)	491,227	1.8	482,565
Maintenance	68,913	0.3	69,138	43.0	48,344
Depreciation	144,664	---	144,730	(14.9)	170,106
Amortization	<u>64,421</u>	---	<u>64,421</u>	---	<u>64,421</u>
Total Operating Expenses	<u>779,153</u>	(1.2)	<u>769,516</u>	0.5	<u>765,436</u>
Operating Loss	<u>(19,019)</u>	(83.4)	<u>(3,154)</u>	(90.7)	<u>(34,054)</u>
<u>Interest and Miscellaneous</u>					
Interest Income	6,557	38.1	9,058	(2.7)	9,306
Interest Expense	<u>(103,920)</u>	---	<u>(103,920)</u>	---	<u>(103,920)</u>
Total Interest and Miscellaneous	<u>(97,363)</u>	(2.6)	<u>(94,862)</u>	0.3	<u>(94,614)</u>
Loss Before Capital Contributions	(116,382)		(98,016)		(128,668)
Capital Contributions	<u>---</u>		<u>---</u>		<u>5,699</u>
Change in Net Assets	(116,382)		(98,016)		(122,969)
Beginning Net Deficit	<u>(17,577,928)</u>		<u>(16,990,472)</u>		<u>(16,049,362)</u>
Ending Net Deficit	<u>(\$17,694,310)</u>		<u>(\$17,088,488)</u>		<u>(\$16,172,331)</u>
Percent To Total Income	(15.2)		(12.6)		(17.4)

Muscatine Power and Water - Communications Utility
Statements of Revenues, Expenses, and Changes in Net Deficit
August 2007

Calendar Year-to-Date

	<u>Budget</u>	<u>% Increase</u>	<u>This</u>	<u>% Increase</u>	<u>Last</u>
	<u>Estimate</u>	<u>(Decrease)</u>	<u>Year</u>	<u>(Decrease)</u>	<u>Year</u>
		<u>From Budget</u>		<u>Fr. Last Yr.</u>	
<u>Operating Revenue</u>					
CATV	\$4,084,299	(0.8)	\$4,053,210	6.3	\$3,812,860
Data/Internet	1,757,986	4.5	1,837,205	5.0	1,749,041
MAN	224,568	4.4	234,370	0.4	233,411
Miscellaneous	47,143	6.8	50,360	2.3	49,242
Total Operating Revenues	6,113,996	1.0	6,175,145	5.7	5,844,554
<u>Operating Expense</u>					
Operation	3,981,146	(2.5)	3,882,085	3.7	3,742,819
Maintenance	517,534	(0.3)	515,939	30.9	394,016
Depreciation	1,157,308	---	1,157,840	(17.7)	1,406,162
Amortization	515,374	---	515,372	---	515,372
Total Operating Expenses	6,171,362	(1.6)	6,071,236	0.2	6,058,369
Operating Income (Loss)	(57,366)	---	103,909	---	(213,815)
<u>Interest and Miscellaneous</u>					
Interest Income	52,953	31.0	69,358	15.8	59,899
Interest Expense	(831,360)	---	(831,362)	---	(831,361)
Total Interest and Miscellaneous	(778,407)	(2.1)	(762,004)	(1.2)	(771,462)
Loss Before Capital Contributions	(835,773)		(658,095)		(985,277)
Capital Contributions	---		---		5,699
Change in Net Assets	(835,773)		(658,095)		(979,578)
Beginning Net Deficit	(16,858,537)		(16,430,393)		(15,192,753)
Ending Net Deficit	(\$17,694,310)		(\$17,088,488)		(\$16,172,331)
Percent To Total Income	(13.6)		(10.5)		(16.7)

Muscatine Power and Water - Communications Utility
Balance Sheets
August 2007

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash - interest bearing	\$591,089	\$530,125
Investments	1,401,173	1,550,156
Receivables:		
Consumer Accounts	806,516	754,547
Interest	11,975	17,223
Inventories	331,206	338,126
Prepaid Pension	35,951	---
Prepaid Expenses	<u>90,703</u>	<u>97,649</u>
Total Current Assets	<u>3,268,613</u>	<u>3,287,826</u>
Property and Equipment:		
At Cost	25,244,257	24,254,663
Less Accumulated Depreciation	<u>13,458,817</u>	<u>12,148,782</u>
Net Property and Equipment	<u>11,785,440</u>	<u>12,105,881</u>
Intangible Assets:		
2003 Asset Purchase - Less Accumulated Amortization of \$4,031,973 in 2007 and \$3,258,914 in 2006	<u>4,123,214</u>	<u>4,896,273</u>
Total Intangible Assets	<u>4,123,214</u>	<u>4,896,273</u>
TOTAL ASSETS	<u><u>\$19,177,267</u></u>	<u><u>\$20,289,980</u></u>

Muscatine Power and Water - Communications Utility
Balance Sheets
August 2007

LIABILITIES AND NET DEFICIT

	<u>2007</u>	<u>2006</u>
Current Liabilities:		
Interest Payable	\$207,840	\$207,840
Accounts Payable	315,162	519,984
Pension Provision	---	48,419
Health Insurance Provision	154,147	122,276
Intercompanies	23,335	16,943
Retained Percentage on Contracts	145	---
Accrued Payroll	38,382	28,202
Accrued Vacation	88,462	76,147
Accrued Property Taxes	31,685	28,705
Miscellaneous Accrued Expenses	79,597	86,795
	<hr/>	<hr/>
Total Current Liabilities	938,755	1,135,311
	<hr/>	<hr/>
Long-Term Liabilities:		
Note Payable	35,327,000	35,327,000
	<hr/>	<hr/>
Net Deficit - Unrestricted	(17,088,488)	(16,172,331)
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TOTAL LIABILITIES AND NET DEFICIT	<u>\$19,177,267</u>	<u>\$20,289,980</u>

Muscatine Power and Water - Communications Utility
Statements of Cash Flows
August 2007

	<u>Current Month</u>	<u>Year- To-Date</u>
Cash flows from operating activities:		
Cash received from communications sales	\$848,277	\$6,176,986
Cash paid to/for:		
Suppliers	(330,434)	(2,857,600)
Employees payroll, taxes and benefits	(252,190)	(1,923,912)
Other	<u>63,295</u>	<u>284,501</u>
Net cash flows from operating activities	<u>328,948</u>	<u>1,679,975</u>
Cash flows from capital and related financing activities:		
Capital expenditures, net	(58,848)	(890,365)
Loan interest payments	<u>---</u>	<u>(1,247,044)</u>
Net cash flows from capital and related financing activities	<u>(58,848)</u>	<u>(2,137,409)</u>
Cash flows from investing activities:		
Interest received on investments	2,185	79,329
Accrued interest purchased	---	(7,411)
Amortization/accretion of investments	1,895	10,540
Mark to market	<u>798</u>	<u>(1,144)</u>
Net cash flows from investing activities	<u>4,878</u>	<u>81,314</u>
Net increase (decrease) in cash and investments	<u>274,978</u>	<u>(376,120)</u>
Cash and investments at beginning of period	<u>1,717,284</u>	<u>2,368,382</u>
Cash and investments at end of period	<u><u>\$1,992,262</u></u>	<u><u>\$1,992,262</u></u>

Muscatine Power and Water - Communications Utility
Statements of Cash Flows
August 2007

	<u>Current Month</u>	<u>Year- To-Date</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	(\$3,154)	\$103,909
Noncash items in operating income (loss):		
Converter/modem write-off	---	4,758
Depreciation of utility plant	144,730	1,157,840
Amortization of intangible assets	64,421	515,372
Changes in assets and liabilities:		
Consumer accounts receivable	79,643	20,266
Inventories	(8,768)	(12,257)
Prepaid and deferred expenses	25,685	(35,136)
Accounts payable	(39,860)	5,765
Pension provision	8,987	(35,951)
Health insurance provision	1,623	17,013
Intercompany payable	19,734	206
Retained Percentage on Contracts	---	144
Accrued payroll	22,912	(37,916)
Accrued vacation	(5,940)	10,497
Accrued property taxes	2,250	7,003
Miscellaneous accrued expenses	16,685	(41,538)
	<u>\$328,948</u>	<u>\$1,679,975</u>
Net cash flows from operating activities	<u>\$328,948</u>	<u>\$1,679,975</u>

Muscatine Power and Water - Communications Utility
Summary of Expenses
Current Month - August 2007

	<u>Budget Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>CATV</u>			
Program Acquisition Expense	\$235,899	\$228,710	\$217,431
Promotional Expense	83	55	32
Electricity Expense	1,954	2,057	1,957
Pole Attachment Expense	2,011	2,011	1,950
Changes of Service	1,429	1,452	2,839
Underground Line Expense	2,190	2,097	2,675
Ad Insertion - Marketing/Production	6,970	8,752	5,966
Miscellaneous CATV Expense	7,840	11,592	13,788
Vehicle Expense	4,043	6,653	4,446
Maintenance:			
Fiber	1,252	1,575	1,514
Coax	1,861	6,715	1,185
Drops	3,906	3,878	3,291
Conduit System	205	323	796
Headend	17,786	15,074	8,600
Line Equipment	2,258	4,726	931
Converters	5,781	3,620	3,928
Ad Insertion	4,262	3,968	1,410
Vacation, Holiday , Sick Leave	2,810	2,427	2,387
Property Taxes	1,483	1,483	1,149
Depreciation	88,212	88,747	100,778
Amortization	48,316	48,316	48,316
Total CATV	440,551	444,231	425,369
<u>Data/Internet</u>			
Data/Internet Access Charges	20,761	19,912	20,560
Promotional Expense	---	---	---
Electricity Expense	67	70	67
Pole Attachment Expense	70	70	68
Changes of Service	605	623	1,217
Customer Wireless Equipment Expense	391	528	282
Underground Line Expense	105	72	91
Miscellaneous Data/Internet Expense	7,837	7,169	12,499
Vehicle Expense	666	1,017	867
Maintenance:			
Fiber	44	55	53
Coax	57	226	40
Drops	138	132	87
Conduit System	23	11	28
Headend	16,652	15,998	11,673
Line Equipment	81	157	31
Modems	4,910	4,938	5,888
Vacation, Holiday, Sick Leave	3,034	1,938	2,680
Property Taxes	52	52	41
Depreciation	23,943	23,725	35,822
Amortization	16,105	16,105	16,105
Total Data/Internet	\$95,541	\$92,798	\$108,099

Muscatine Power and Water - Communications Utility
Summary of Expenses
Year-to-Date - August 2007

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
CATV			
Program Acquisition Expense	\$1,871,321	\$1,832,238	\$1,750,555
Promotional Expense	668	1,752	961
Electricity Expense	15,632	16,244	15,637
Pole Attachment Expense	16,091	16,092	15,600
Changes of Service	10,490	13,484	17,681
Underground Line Expense	17,612	15,844	17,984
Ad Insertion - Marketing/Production	61,675	63,592	57,157
Miscellaneous CATV Expense	63,351	85,757	83,237
Vehicle Expense	32,330	34,213	26,237
Maintenance:			
Fiber	12,486	12,100	13,938
Coax	20,435	23,654	21,845
Drops	26,321	23,122	17,605
Conduit System	1,743	4,237	3,706
Headend	117,928	112,682	76,237
Line Equipment	21,942	35,099	14,709
Converters	38,365	28,297	28,678
Ad Insertion	34,792	24,318	11,296
Vacation, Holiday, Sick Leave	28,090	30,021	24,449
Property Taxes	11,864	11,864	11,670
Depreciation	705,691	709,976	858,214
Amortization	386,530	386,529	386,529
Total CATV	3,495,357	3,481,115	3,453,925
Data/Internet			
Data/Internet Access Charges	166,088	169,198	192,199
Promotional Expense	---	---	160
Electricity Expense	535	554	534
Pole Attachment Expense	562	562	544
Changes of Service	4,493	5,779	7,578
Customer Wireless Equipment Expense	2,492	4,252	7,082
Underground Line Expense	639	541	614
Miscellaneous Data/Internet Expense	60,835	63,814	69,108
Vehicle Expense	5,336	5,018	4,581
Maintenance:			
Fiber	445	422	262
Coax	699	884	745
Drops	899	789	571
Conduit System	72	148	129
Headend	130,874	126,851	102,200
Line Equipment	724	1,196	502
Modems	32,189	49,264	29,131
Vacation, Holiday, Sick Leave	30,202	28,733	25,862
Property Taxes	416	416	405
Depreciation	191,541	189,800	279,784
Amortization	128,844	128,843	128,843
Total Data/Internet	\$757,885	\$777,064	\$850,834

Muscatine Power and Water - Communications Utility
Summary of Expenses
Current Month - August 2007

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>MAN</u>			
Pole Attachment Expense	\$970	\$970	\$941
Tools Expense	---	137	---
Maintenance:			
Fiber	604	760	731
Conduit System	107	156	384
MAN Equipment	6,273	5,366	5,603
Vacation, Holiday, Sick Leave	22	16	17
Property Taxes	715	715	555
Depreciation	22,833	23,311	24,528
Total MAN	<u>31,524</u>	<u>31,431</u>	<u>32,759</u>
<u>Customer Service Expense</u>			
Customer Information Expense	10,273	2,846	5,032
<u>Consumer Accounts</u>			
Supervision	2,229	2,402	2,757
Consumer Records and Collections	33,091	34,882	30,804
Uncollectible Accounts Expense	1,875	1,875	2,505
Vacation, Holiday, Sick Leave	2,882	2,567	2,013
Total Consumer Accounts	<u>40,077</u>	<u>41,726</u>	<u>38,079</u>
<u>Administrative and General</u>			
Administrative and General Salaries	49,508	50,839	52,895
Office Supplies and Expense	5,222	3,785	3,851
Outside Services Employed	5,443	8,004	10,220
Property Insurance	824	682	788
Casualty Ins, Injuries & Damages	4,540	2,440	4,055
Employee Pensions and Benefits	56,010	56,887	53,392
Fringe Benefits Charges to Construction	(3,615)	(4,025)	(3,781)
Rents	7,229	7,229	7,570
Miscellaneous General Expense	18,383	14,308	11,602
Maintenance of General Plant	2,713	1,460	2,171
Vacation, Holiday, Sick Leave	5,254	5,928	4,357
Depreciation	9,676	8,947	8,978
Total Administrative and General	<u>161,187</u>	<u>156,484</u>	<u>156,098</u>
Total Operating Expenses	<u><u>\$779,153</u></u>	<u><u>\$769,516</u></u>	<u><u>\$765,436</u></u>

Muscatine Power and Water - Communications Utility
Summary of Expenses
Year-to-Date - August 2007

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>MAN</u>			
Pole Attachment Expense	\$7,767	\$7,767	\$7,528
Tools Expense	---	1,025	1,186
Maintenance:			
Fiber	6,062	5,839	3,619
Conduit System	849	2,044	1,788
MAN Equipment	50,642	45,908	45,437
Vacation, Holiday, Sick Leave	215	229	181
Property Taxes	5,726	5,726	5,630
Depreciation	182,668	186,488	196,824
Total MAN	<u>253,929</u>	<u>255,026</u>	<u>262,193</u>
<u>Customer Service Expense</u>			
Customer Information Expense	<u>106,200</u>	<u>46,710</u>	<u>49,450</u>
<u>Consumer Accounts</u>			
Supervision	17,129	18,759	17,893
Consumer Records and Collections	257,656	251,404	226,742
Uncollectible Accounts Expense	15,000	15,000	20,042
Vacation, Holiday, Sick Leave	28,743	28,923	24,350
Total Consumer Accounts	<u>318,528</u>	<u>314,086</u>	<u>289,027</u>
<u>Administrative and General</u>			
Administrative and General Salaries	359,454	370,941	355,845
Office Supplies and Expense	41,872	32,139	33,374
Outside Services Employed	48,282	53,120	43,369
Property Insurance	6,485	5,777	6,203
Casualty Ins, Injuries & Damages	36,302	19,564	28,837
Employee Pensions and Benefits	451,059	463,206	419,779
Fringe Benefits Charges to Construction	(29,386)	(31,977)	(26,678)
Rents	57,832	57,832	60,560
Miscellaneous General Expense	119,235	79,312	87,740
Maintenance of General Plant	20,067	19,085	21,618
Vacation, Holiday, Sick Leave	50,853	56,660	50,953
Depreciation	77,408	71,576	71,340
Total Administrative and General	<u>1,239,463</u>	<u>1,197,235</u>	<u>1,152,940</u>
Total Operating Expenses	<u><u>\$6,171,362</u></u>	<u><u>\$6,071,236</u></u>	<u><u>\$6,058,369</u></u>

**Muscatine Power and Water - Communications Utility
Statistical Data
August 2007**

<u>Services</u>	<u>Budget Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>CATV</u>			
Residential	8,150	7,979	8,365
Commercial	172	165	161
Bulk	17	16	16
	<u>8,339</u>	<u>8,160</u>	<u>8,542</u>
 <u>Internet</u>			
Residential	5,145	5,574	5,534
Commercial	512	516	505
	<u>5,657</u>	<u>6,090</u>	<u>6,039</u>
 <u>MAN</u>	<u>14</u>	<u>15</u>	<u>15</u>

Communications Utility
Review of Operating Results
August 2007

MUSCATINE POWER AND WATER - COMMUNICATIONS UTILITY
REVIEW OF YEAR-TO-DATE OPERATING RESULTS - AUGUST 31, 2007
(Analysis of Financial Statements - Page 2)

		Increase (Decrease) to Budgeted Net Assets
Operating Revenue		
CATV Revenue	\$ 27,153	Revenue from digital subscribers and HDTV greater than budgeted, due to more subscribers
	18,031	Pay-Per-View and Video on Demand buys greater than budgeted
	3,708	Diversion revenue not budgeted
	(81,488)	Revenue from premium channels is lower than budgeted due to an error in the budget
Data/Internet Revenue	59,442	Higher residential cable modem revenues due to more subscribers
	16,040	Higher residential dialup revenues due to more subscribers
	4,860	Higher home networking revenues than budgeted
Operating Expense		
Operation	26,393	Broadcast channel costs have not yet been realized
	24,418	Travel expenses lower than expected
	17,655	Fewer promotional/educational materials
	16,853	Lower workers compensation claims
	13,635	Lower external media advertising expense
	8,970	Customer survey, not expended
	7,990	Less postage
	7,500	Name & logo enhancement cancelled for 2007
	6,955	Communications department misc. office supplies not yet expended
	5,217	Memberships & subscriptions are below budget
	2,833	Temporary labor was not needed
	1,560	Customer service call handling analysis study has not yet occurred
	(6,471)	Higher employee team training, budgeted in September
	(10,030)	Higher educational refunds
	(11,487)	A&G salaries are higher due to less vacation used and less labor charged to other accounts
Maintenance	29,164	CATV headend equipment labor & materials less than anticipated
	10,587	Labor for ad insertion maintenance is under budget and agreements have been renewed at lower amounts than anticipated
	10,052	Labor to repair converters is under budget and materials have not yet been needed
	(13,157)	Repair of line equipment higher due to two fiber lines cut in January, storm damage in February, and tornado in June
	(23,918)	CATV headend maintenance agreements greater than budget, primarily due to a delayed billing by vendor for a 2006 agreement
	(15,924)	Labor is over budget due to the cable modem system change out
Interest Income	17,552	Higher fund balances than projected
	(1,147)	Market to market adjustment not budgeted
	<u>4,732</u>	Other miscellaneous variances - net
	<u>\$ 177,678</u>	Total Increase in Budgeted Net Assets

Statement of Revenues, Expenses and Changes in Net Deficit

Operating Revenues

CATV Revenue

Total CATV revenues are lower than budget by \$31,089. Revenues for premium channels are lower than budget by \$81,488, due to an error in the budget, while Pay-Per-View and Video on Demand revenues are \$18,031 greater than budget. Revenues from residential digital and HDTV subscribers are greater than budget by \$11,515 and \$15,638, respectively. Revenue from diversion charges is \$3,708 year-to-date, which was not budgeted.

Internet Revenue

Total Internet revenues are in excess of budget by \$79,219. Cable modem revenues are in excess of budget by \$59,442 for residential customers. Dial-up revenue from residential customers is in excess of budget by \$16,040; home networking revenue from residential customers is also in excess of budget by \$4,860.

Interest Income

Interest income is \$16,405 greater than the budget due to higher cash and investment balances, offset by a \$1,147 negative mark-to-market adjustment.

Year-To-Date Summary of Expenses

CATV

Program Acquisition Expense

Programming for basic tier programs is \$26,393 lower than budget due to broadcast channel costs that have not yet been realized. Overall, programming costs are higher than last year by 6.9% per basic subscriber.

Miscellaneous CATV Expense

Labor in the outside services area for diversion investigation is over budget by \$3,260. Labor in the CATV tech area is over budget by \$23,789.

Maintenance of CATV Headend

Maintenance agreements are over budget \$23,918. The 2006 portion (\$15,312) of a maintenance agreement was expensed in February because the vendor did not issue the invoice until 2007. Labor is under budget \$17,692 and other materials are under budget \$11,472. Labor exceeds last year by \$16,385.

Maintenance of Line Equipment

Materials and labor are over budget by \$13,157 due to equipment failures, ice storm damage and tornado damage. A large credit of \$13,025 to return spare parts to stores reduced 2006 year-to-date expenses.

CATV (cont'd)

Maintenance of Converters

Labor is under budget by \$6,871. Only \$819 of the \$4,000 budget for materials has been expended.

Maintenance of Ad Insertion

Maintenance agreements are less than budget by \$5,992, due to a lower actual cost than budgeted. Labor is less than budget by \$4,595.

Depreciation

Depreciation in 2007 is less than 2006 due to a large number of assets reaching the end of their estimated useful lives, particularly cable set-top boxes.

Data/Internet

Data/Internet Access Charges

Current year dial-up and DSL access fees are less than last year due to expensing fees of \$22,928 in April 2006 from prior periods. Monthly charges from fall 2004 through March 2006 had been in dispute.

Maintenance of Headend

Maintenance agreements are higher than last year by \$13,366 due to increased renewal costs. Labor is also higher than last year by \$12,160.

Maintenance of Modems

Labor expenses are greater than budget and 2006 by \$15,924 and \$19,131, respectively, due to more time than expected spent on the cable modem system change-out.

Depreciation

Depreciation expense is less than in 2006 due to a large number of assets reaching the end of their estimated useful lives, particularly cable modems.

Customer Service Expense

Customer Information Expense

The following expenses are higher/(lower) than budget:

Name & logo enhancement, cancelled	(\$7,500)
Media advertising	(\$13,635)
Promotional/educational materials	(\$17,655)
Postage	(\$7,093)
Community programming	(\$2,500)
Expansion of Channel 11	(\$3,335)
Customer survey	(\$8,970)
Customer service rules	\$2,469

Consumer Accounts

Consumer Records & Collections

Labor in the help desk department for 2007 exceeds 2006 by \$20,846 due to a higher allocation to the Communications Utility.

Administrative & General

Administrative and General Salaries

Salaries in the Communications department are greater than budget due to less time being spent on other activities.

Expense in 2007 is \$15,096 more than last year primarily due to the following reasons: a position vacancy in Utility Relations in early 2006 (\$1,200), an error in 2006 to reclassify an employee's salary between accounts (\$1,700), and annual salary increases.

Office Supplies and Expense

Miscellaneous office supplies in the Communications department are less than budget \$6,955.

Outside Services

Enterprise security expenses of \$1,980 were budgeted in 2006, but not actually incurred until 2007. ROC Team training was incurred for \$6,471, but was not budgeted until September. Workforce development training was budgeted at \$2,668 year-to-date; however, this training is currently being done by in-house personnel. Legal fees are under budget by \$2,239. In addition, the following expenses have not yet been incurred:

Customer service call handling analysis study	(\$1,560)
IS application consulting	(\$1,336)
Health care consultant	(\$1,000)

Casualty Ins, Injuries & Damages

Workers compensation claims are lower than budget by \$16,853.

Employee Pensions and Benefits

Education refunds are over budget \$17,312. Health insurance is under budget \$3,010 and FICA expense is under budget \$1,582.

The following expenses are higher/(lower) than 2006:

Education Refunds	\$10,030
Health care	\$6,617
FICA	\$8,397
Pension	\$22,910
Unemployment	(\$5,895)

Employee Pensions and Benefits (cont'd)

Pension expense is higher than last year primarily due to: 1) a change in the mortality table and discount rate was not reflected in 2006 until later in the year (impact as of 8/31/06 approximately \$4,100); 2) additional communications employees, resulting in the Communications Utility's share of the expenses increasing approximately 22% (share of pension expense went from 9% to 11% or \$11,600); 3) the entire pension cost increased 11% over 2006 (\$5,800).

Miscellaneous General Expense

The following expenses are higher/(lower) than budget:

Travel	(\$24,418)
Labor	(\$8,835)
Memberships/subscriptions	(\$4,828)
Temporary labor services	(\$2,833)
Annual report	(\$2,357)
ROC team	\$2,441

Storm Damage

Expense incurred related to the February ice storm was approximately \$8,067. These expenses have been recorded in various maintenance accounts.

The Communications Utility's allocated share of the expense incurred to date related to the June 1st tornado was \$9,814. These expenses have been recorded in various maintenance accounts.

**Communications Utility
Balance Sheet Review
August 2007**

	<u>2007</u>	<u>2006</u>
<u>Current Assets</u>		
<u>Receivables - Consumer Accounts</u>		
Customer Communications Accounts	\$803,414	\$771,698
Merchandise Accounts	46,949	29,644
Allowance for Doubtful Accounts	(43,847)	(46,795)
	<u>\$806,516</u>	<u>\$754,547</u>
<u>Inventories</u>		
Inventory	\$327,311	\$340,074
Stores Expense (a/c 163)	3,895	(1,948)
	<u>\$331,206</u>	<u>\$338,126</u>
<u>Prepaid Expenses</u>		
Prepaid Insurance	\$16,568	\$16,320
Prepaid Maintenance Contracts	65,850	66,109
Other	8,285	15,220
	<u>\$90,703</u>	<u>\$97,649</u>
<u>Current Liabilities</u>		
<u>Miscellaneous Accrued Expenses</u>		
Sales/Use Tax Collections Payable	\$65,028	\$64,778
Payroll Tax Collections Payable	9,750	7,851
Workers' Comp Self Insurance Reserves	4,824	14,165
Other	(5)	---
	<u>\$79,597</u>	<u>\$86,794</u>
<u>Accounts Payable</u>		
Electric Bills	\$1,397	\$1,397
ACC Business - internet access	3,000	3,000
Arris International - modules	---	98,216
Atx Networks - connectors	2,071	---
Bancard - travel	1,231	2,654
CDB Utility Contractor - directional boring	3,470	678
CDW-G - adapters	2,750	372
Champs Software - software	---	1,657
CNBC - programming fee	2,583	2,497
Comcast Media Center - programming fee	2,954	1,647
Comcast Sportsnet Chicago - programming fee	---	14,953
Cottingham & Butler - workers comp	1,246	---
Critical Path - access fee	1,075	---
DF Countryman - connectors/pedestals	1,975	641
Discovery Communications - programming fee	2,925	---
Discovery Digital Networks - programming fee	---	1,941
Fox Sports Net Midwest - programming fee	14,201	12,914
Lifetime - programming fee	4,291	3,284
Market Strategies - customer survey	---	2,254
MSNBC - programming fee	1,823	1,717
Music Choice - license fee	1,929	1,810
Natl Cable TV Coop - license & equip	164,856	207,998
PCI Technologies - splitters/combiners	---	26,913
Pomeroy IT Solutions - yrly maint agreement	---	6,270
Primex Manufacturing - demarcation box	1,363	---
RK Dixon - scanner	---	2,864
Sencore - analyzer	---	24,995
Seton - labels	---	1,692
Terry-Durin - conduit	2,472	2,547
The Baller Herbst Law Group - legal svc	713	4,419
Tower Distribution Company - programming fee	1,282	1,273
Tru Art Color Graphics - printing	1,677	1,521
TV Guide Networks - programming fee	3,248	3,142
TVN Entertainment - license fee	8,338	7,930
Wellmark - health ins	2,393	43,299
WHBFTV Quad Cities - programming	1,080	---
Other	78,819	33,489
	<u>\$315,162</u>	<u>\$519,984</u>